

AMERICAN FORK CITY
Financial Statements
June 30, 2006

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor
and Members of the City Council
American Fork City, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of American Fork City, Utah, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, the required supplementary information, Modified Approach – Asset Management System, and the budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hawkins Cloward & Simister, LC

HAWKINS CLOWARD & SIMISTER, LC

CERTIFIED PUBLIC ACCOUNTANTS

December 22, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of American Fork City, we offer readers of American Fork City's financial statements this narrative, discussion, overview and analysis of the financial activities of American Fork City for the fiscal year ended June 30, 2006.

FINANCIAL HIGHLIGHTS

- The assets of American Fork City exceeded the liabilities as of the close of the most recent year by \$93,404,707 (net assets). Of this amount \$18,260,716 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- In the general fund, revenues exceeded expenditures by \$3,833,229, before inter-fund transfers.
- At the close of the fiscal year, the unreserved fund balance of the general fund totaled \$2,220,613 or 16% of total general fund revenues. State statutes allow a maximum unreserved fund balance of 18% of total general fund revenues.
- American Fork City continued with the RDA projects financed through the previously issued Sales Tax Revenue bonds. The original bond issuance was \$5,810,000. The intent of the bonds is to fund projects from revenue from the RDA projects in the City. The projects being funded are: improvements to the American Fork City Amphitheater; renovating the Old City Hall for use as a cultural center; improvements to the boat harbor, improvements and upgrade of the fitness center, including arts classrooms; and the creation of a skate park.
- The City is actively seeking funding alternatives to fund a \$46,950,000 secondary water system. A bond election subsequent to the audit period of these financial statements authorizing the issuance of \$46,950,000 in general obligation bonds was successful.
- American Fork City financed the purchase of a new ladder truck and accompanying equipment for the fire department in the amount of \$756,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components:

1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the assets and liabilities of the City, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the net assets of the City changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*.) The governmental activities of the City include general government and administration, public safety, public works, library and cemetery. The business-type activities of the City include Water and Sewer and the Broadband.

Please refer to the table of contents for the location of the government-wide financial statements.

FUND FINANCIAL STATEMENTS. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: *governmental funds*, *proprietary funds* and *fiduciary funds*.

GOVERNMENTAL FUNDS. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provides a reconciliation to facilitate this comparison between government funds and government activities.

The City maintains 11 governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, debt service and capital projects, all of which are considered to be major funds. Data from the other 7 funds are combined into a

single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for all of its governmental funds. Budgetary comparison statements have been provided for the general fund and major special revenue funds to demonstrate compliance with those budgets.

Please refer to the table of contents for the location of the basic governmental fund financial statements.

PROPRIETARY FUNDS. The City maintains one *proprietary fund* type. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer and broadband funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer and broadband funds which are all considered to be major funds of the City.

FIDUCIARY FUNDS. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for *proprietary funds*.

Please refer to the table of contents for the location of the basic *fiduciary fund* financial statements.

NOTES TO THE FINANCIAL STATEMENTS. The *notes* provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

OTHER INFORMATION. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City.

The combining statements referred to earlier in connection with non-major governmental funds and the enterprise fund is presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of American Fork City, assets exceed liabilities by \$93,404,707 (net assets) at the close of the most recent fiscal year.

An additional portion of the City's net assets (approximately 1.4%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets \$92,104,913 may be used to meet the government's ongoing obligations to citizens and creditors

As of June 30, 2006, the City is able to report positive balances in both categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

AMERICAN FORK CITY NET ASSETS

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
	<u>2006</u>	<u>2006</u>	<u>2006</u>
Current and other assets	\$16,905,532	\$6,483,874	\$23,389,406
Capital assets	69,211,462	44,727,890	113,939,352
Total assets	\$86,116,994	\$51,211,764	\$137,328,758
Long-term liabilities outstanding	\$27,375,169	\$4,937,219	\$32,312,388
Other Liabilities	10,319,093	1,292,571	11,611,664
Total liabilities	\$37,694,262	\$6,229,790	\$43,924,052
Net assets:			
Invested in capital assets, net of related debt	\$44,714,801	\$28,236,523	\$72,951,324
Restricted	957,335	342,524	2,192,666
Unrestricted	2,750,596	16,402,926	18,260,716
Total net assets	\$48,422,733	\$44,981,974	\$93,404,707

GOVERNMENTAL ACTIVITIES. Governmental activities increased the City's net assets by \$5,307,715. A large part of this increase in net assets is due to implementation of GASB 34.

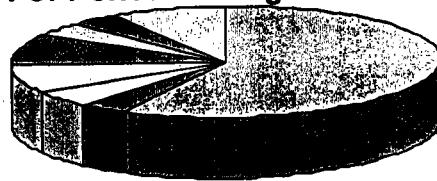
Revenue increased in the governmental funds by \$2,238,640. A large portion of this change came from Charges for services which increased by \$392,060. Other areas that showed significant increases include: Taxes, \$998,818 and Licenses and Permits, \$238,260. Miscellaneous revenues increased by \$598,895; among other things, this represents increases in plan check fees, development fees and the sale of surplus equipment.

Cemetery fees decreased from \$175,284 to \$126,455. This decrease was due mainly to the moratorium on the sale of cemetery lots. The City is actively working on ways to utilize current cemetery property that will allow more plots to be sold; also, the City is highly interested in the procurement of additional cemetery property.

Current property tax collections increased from \$1,921,056 for fiscal year 2005 to \$1,975,873 in fiscal year 2006. The percentage of total tax collections in 2005 was 92.8%.

Sales tax increased by \$585,136. This is primarily due development in the City's Special Improvement Districts.

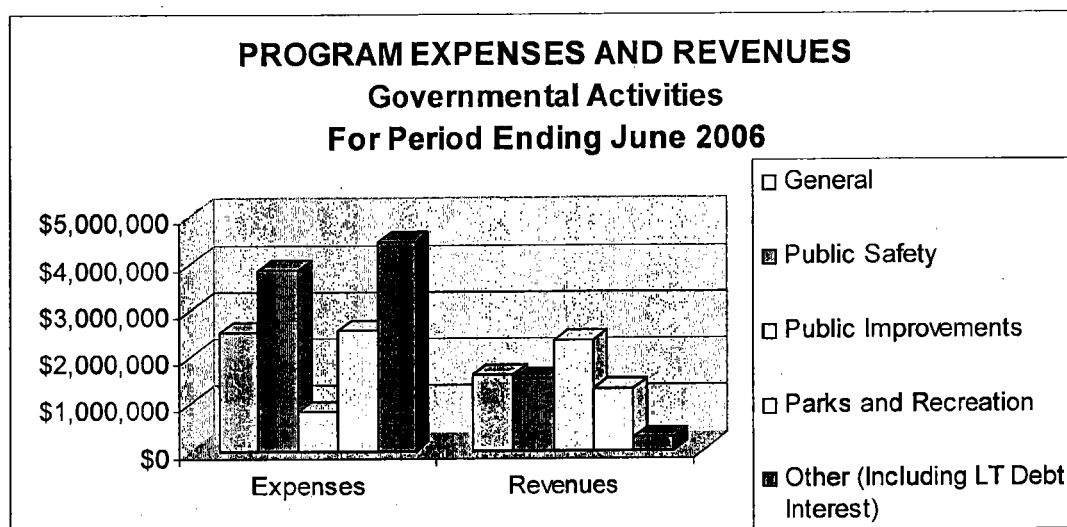
REVENUES BY SOURCE
Governmental Activities
For Period Ending June 2006



- Taxes (57.81%)
- Licenses and Permits (3.94%)
- Intergovernmental Revenue (4.64%)
- Charges for Services (8.69%)
- Other Fees and Services (8.59%)
- Fines and Forfeitures (4.21%)
- Interest Income (3.59%)
- Miscellaneous Revenues (8.53%)

Capital outlay expenses increased for purchases of capital assets. The City entered into a capital lease for the purchase of a ladder truck which was necessary for the safety of the citizens who occupied very tall buildings in American Fork City. Other capital expenditures made by the City include: a first response vehicle for the ambulance department; replacement of (2) Harley motorcycles that were surplus; payments on land purchased at the American Fork City Boat Harbor; A Kawasaki Mule for parks; upgrade of the library computer and circulation system that was funded to a large extent from a grant from Utah State; 800 MHz radios for the police department; and Mayoral furniture.

Expenses and Revenues for some program categories in governmental activities include the following:



BUSINESS-TYPE ACTIVITIES. Business-Type Activities increased the City's net assets by \$ 4,119,543.

AMERICAN FORK CITY CHANGES IN NET ASSETS

	<u>Governmental</u> <u>Activities</u> <u>2006</u>	<u>Business-Type</u> <u>Activities</u> <u>2006</u>	<u>Total</u> <u>2006</u>
Revenues:			
Program Revenues:			
Charges for Services	\$4,938,028		\$4,938,028
Grants and contributions	2,160,221	3,860,878	6,021,099
General Revenues:			
Property taxes	3,252,007		3,252,007
Other taxes	6,585,612		6,585,612
Other	1,437,143	113,871	1,551,014
Transfers	1,190,267	(1,190,267)	0
Total Revenues and Transfers	<u>\$19,563,278</u>	<u>\$2,784,482</u>	<u>\$22,347,760</u>
Expenses:			
General government	\$14,255,563		\$14,255,563
Water and Sewer		\$4,206,632	4,206,632
Broadband		1,043,739	1,043,739
Total expenses	<u>\$14,255,563</u>	<u>\$5,250,371</u>	<u>\$19,505,934</u>
Increase in net assets	5,307,715	4,119,543	9,427,258
Net assets-beginning	43,115,018	40,862,431	83,977,449
Net assets-ending	<u>\$48,422,733</u>	<u>\$44,981,974</u>	<u>\$93,404,707</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

GOVERNMENTAL FUNDS. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the year, the American Fork City's governmental funds reported combined ending fund balances of \$9,198,728. A decrease of \$2,252,236 in comparison with the prior year. The majority of this decrease came from the completion of some capital projects and expenditure of the bonds associated with these projects. Examples of this include the parks project and some of the RDA projects. Approximately 56 percent of this amount (\$5,087,997) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay for encumbrances 2) to pay for debt service (\$201,102) and 3) to pay for capital projects (\$3,910,104).

The general fund is the chief operating fund of the City. At the end of the current year, unreserved fund balance of the general fund was \$2,220,613. Total fund balance was also \$2,220,613. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents approximately 22 percent of the total general fund expenditures.

PROPRIETARY FUNDS. The city's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the respective proprietary funds are Water and Sewer \$18,085,394, and Broadband (\$1,682,468).

GENERAL FUND BUDGETARY HIGHLIGHTS. The difference between the original budget and the final amended budget was \$5,456,167. The majority of this increase was due to increases in the consolidated accounts of Capital Improvement, Capital Projects, Special Improvement District, Meadows and Special Improvement District, Alpine. The broadband system also had a sizeable adjustment to reflect revenue expected from the expansion of the fiber lines to Salt Lake. The changes in the budget may be summarized as follows:

- \$ 1,086,600 increase in the general government.
- \$ 29,267 increase in the downtown redevelopment fund.
- \$ 20,000 increase in the special revenue fund.

- \$ 2,354,100 increase in capital improvements funds.
- \$ 1,350,000 increase in the Special Improvement Budgets.
- \$ 50,000 increase in the celebration fund.
- \$ 233,200 increase in the debt service account.
- \$ 200,000 increase and Sewer and Water Fund.
- \$1,350,000 increase in the Broadband System.
- \$133,000 increase in the Fitness Center.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS. The capital projects fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities and procuring equipment necessary for providing programs for the citizens of the City.

Major capital asset events during the current year included the following:

- \$ 319,055 was expended for public safety vehicles and equipment.
- A capital lease was entered into for a fire-ladder truck in the amount of \$756,000.

The City has elected to use the modified approach to account for its infrastructure assets such as roads and bridges. That information can be found in the required supplemental information following the notes to the financial statements.

American Fork City Capital Assets

	Governmental Activities	Business-type Activities	Total
	<u>2006</u>	<u>2006</u>	<u>2006</u>
Land	\$15,746,592	\$13,479	\$15,760,071
Infrastructure	25,651,879		25,651,879
Buildings & Improvements	27,805,687	42,035,156	69,840,843
Equipment	7,392,233	4,136,443	11,528,676
Construction in progress	3,949,327		3,949,327
Accumulated Depreciation	(11,334,256)	(14,876,892)	(26,211,148)
Total	<u>\$69,211,462</u>	<u>\$31,308,186</u>	<u>\$100,519,648</u>

Additional information on American Fork City's capital assets can be found in the notes to the financial statements.

LONG-TERM DEBT

At the end of the current year, the City had total bonded debt outstanding of \$37,392,892. The debt represents both general obligation bonds and revenue bonds secured solely by specified revenue sources (i.e. revenue bonds.)

American Fork City Outstanding Debt

	Governmental Activities	Business-type Activities	Total
	<u>2006</u>	<u>2006</u>	<u>2006</u>
G.O. Bonds	\$18,685,000	\$254,000	\$18,939,000
Revenue Bonds	5,510,000	5,050,000	10,560,000
Special Assessment Bonds	4,929,000	0	4,929,000
Capital Lease	779,293	4,569	783,862
Total	<u>\$29,903,293</u>	<u>\$5,308,569</u>	<u>\$35,211,862</u>

State statutes limit the amount of general obligation debt a governmental entity may issue up to 8 percent of its total fair market value of taxable property in the City. The current fair market value of the taxable property in the City is \$ 933,857,926. The current debt limitation for the City is \$74,708,634. American Fork City has general obligation debt of \$18,939,000.

Additional information on the City's long-term debt can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- American Fork City is located in Utah County. The unemployment rate for Utah County as of June 2006 was 3.3%. This closely mirrored the state unemployment rate for the same period.
- The City is in the process of completing the necessary steps to adjust sewer, water, storm drain and road impact fees.

- There are approximately 150 acres of commercial property that continues to be developed in American Fork City. This development provides new sales and property tax to the City. However, part of the new tax revenue will be restricted to off-set the cost of new public infrastructure that has been paid from the issuance of debt.
- American Fork City Council approved an increase in the property tax rate for American Fork City residents for the year 2006. The certified tax rate was .002037, the approved tax rate was .003083. It is estimated that this will provide approximately \$1,027,000 in additional property tax revenue. The Council feels it is imperative the City fund roads, sidewalks and capital assets in order to keep pace with an aging infrastructure and growing City needs.
- A bond election subsequent to the audit period of these financial statements authorizing the issuance of \$46,950,000 in general obligation bonds to finance the construction of a secondary irrigation system was successful.

REQUESTS FOR INFORMATION. The financial report is designed to provide a general overview of American Fork City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to American Fork City, Finance Officer, 51 East Main Street, American Fork City, Utah 84003.

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by accounting principles generally accepted in the United States of America. The statements include:

- Government-wide financial statements

- Fund financial statements

 - Governmental funds

 - Proprietary (enterprise) funds

AMERICAN FORK CITY
Government-wide Statement of Net Assets
June 30, 2006
With Comparative Totals for June 30, 2005

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	2005
ASSETS				
Cash and cash equivalents	\$ 5,521,392	\$ 3,684,172	\$ 9,205,564	\$ 10,936,635
Receivables (net of allowance)				
Accounts	223,911	770,448	994,359	861,550
Assessments	4,929,000		4,929,000	5,478,000
Intergovernmental	101,834		101,834	111,414
Other	74,241	484,856	559,097	541,590
Prepaid expenses	12,500		12,500	21,662
Inventory	7,572		7,572	10,703
Restricted cash and cash equivalents	6,344,082	1,235,398	7,579,480	9,404,173
Internal balances	(309,000)	309,000		
Capital assets				
Land	15,746,592	13,479	15,760,071	15,047,620
Buildings and improvements	27,805,687	42,035,156	69,840,843	65,010,835
Equipment	7,392,233	4,136,443	11,528,676	9,336,949
Infrastructure	25,651,879		25,651,879	24,850,664
Construction in progress	3,949,327		3,949,327	2,836,724
Accumulated depreciation	(11,334,256)	(14,876,892)	(26,211,148)	(23,643,078)
Water stock		13,419,704	13,419,704	10,720,567
Total assets	\$ 86,116,995	\$ 51,211,764	\$ 137,328,759	\$ 131,526,010

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS.

AMERICAN FORK CITY
Government-wide Statement of Net Assets
June 30, 2006
With Comparative Totals for June 30, 2005

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	2005
LIABILITIES AND NET ASSETS				
Liabilities				
Outstanding checks in excess of deposits	\$ 4,226	\$ 363,054	\$ 367,280	\$ 1,145,298
Accounts payable and accrued expenses	1,946,115	262,929	2,209,044	2,245,981
Accrued salaries, wages, and benefits	271,132	62,022	333,154	509,568
Accrued interest payable	84,164	10,051	94,215	120,555
Accrued compensated absences	294,810	84,164	378,975	398,776
Due to other governmental entities	102,163		102,163	88,141
Deposits	159,358	139,000	298,358	169,348
Deferred revenues	4,929,000		4,929,000	5,478,000
Noncurrent liabilities				
Due within one year	2,528,124	371,351	2,899,475	4,708,141
Due in more than one year	27,375,169	4,937,219	32,312,388	32,684,751
Total liabilities	<u>37,694,262</u>	<u>6,229,790</u>	<u>43,924,051</u>	<u>47,548,560</u>
Net assets				
Invested in capital assets, net of related debt	44,714,801	28,236,523	72,951,324	59,192,557
Restricted for				
Debt service	201,102		201,102	339,969
Capital projects	309,571	342,458	652,029	8,830,734
Permanent fund - cemetery care	446,662		446,662	425,695
Unrestricted	<u>2,750,596</u>	<u>16,402,993</u>	<u>19,153,589</u>	<u>15,188,493</u>
Total net assets	<u>48,422,733</u>	<u>44,981,974</u>	<u>93,404,707</u>	<u>83,977,449</u>
Total liabilities and net assets	<u>\$ 86,116,995</u>	<u>\$ 51,211,764</u>	<u>\$ 137,328,759</u>	<u>\$ 131,526,009</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS.

AMERICAN FORK CITY
Government-wide Statement of Activities
For the Year Ended June 30, 2006
With Comparative Totals for the Year Ended June 30, 2005

Program Activities	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 2,528,811	\$ 1,619,267		
Public safety	3,870,707	1,508,108	\$ 28,458	
Public improvements	837,327	228,462	729,092	\$ 1,375,695
Parks and recreation	2,561,160	1,318,843		
Other	3,138,093	263,349	26,977	
Interest on long term debt	1,319,465			
Total governmental activities	14,255,563	4,938,028	784,526	1,375,695
Business-type activities				
Sewer and water	4,206,632	5,779,771		3,860,878
Broadband	1,043,739	805,661		
Total business-type activities	5,250,371	6,585,432		3,860,878
Total government	\$ 19,505,934	\$ 11,523,461	\$ 784,526	\$ 5,236,573
General revenues				
Taxes				
Advalorem				
Sales				
Energy				
Franchise				
Interest income				
Gain (loss) on sale/retirement of capital assets				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets at beginning of year				
Net assets at end of year				

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS.

Net (Expenses) Revenues and Changes in Net Assets			
Governmental Activities	Business-type Activities	Total	2005
\$ (909,543)		\$ (909,543)	\$ (1,165,603)
(2,334,142)		(2,334,142)	(2,246,056)
1,495,922		1,495,922	(145,607)
(1,242,318)		(1,242,318)	(978,835)
(2,847,768)		(2,847,768)	(2,061,907)
(1,319,465)		(1,319,465)	(1,463,550)
(7,157,314)		(7,157,314)	(8,061,558)
	\$ 5,434,017	5,434,017	2,567,257
	(238,078)	(238,078)	(706,204)
	5,195,939	5,195,939	1,861,053
(7,157,314)	5,195,939	(1,961,374)	(6,200,505)
3,252,007		3,252,007	3,136,952
4,810,204		4,810,204	4,225,068
1,257,056		1,257,056	1,060,076
518,352		518,352	416,704
611,079	113,871	724,949	357,967
(152)		(152)	9,875
826,216		826,216	376,020
1,190,267	(1,190,267)		
12,465,028	(1,076,397)	11,388,632	9,582,662
5,307,715	4,119,543	9,427,258	3,382,157
43,115,018	40,862,431	83,977,449	80,595,292
\$ 48,422,733	\$ 44,981,974	\$ 93,404,707	\$ 83,977,449

**AMERICAN FORK CITY
GOVERNMENTAL FUNDS**

Balance Sheet

June 30, 2006

With Comparative Totals for June 30, 2005

	General	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds	2005
ASSETS						
Cash and cash equivalents	\$ 3,018,124		\$ 660,744	\$ 1,842,524	\$ 5,521,392	\$ 7,349,748
Receivables (net of allowance)						
Accounts	223,911				223,911	149,747
Assessments	4,929,000				4,929,000	5,478,000
Intergovernmental	101,834				101,834	111,414
Other	12,653			61,588	74,241	52,331
Due from other funds		\$ 119,807		19,886	139,693	18,253
Inventory				7,572	7,572	10,703
Prepaid expenses				12,500	12,500	21,662
Restricted cash and cash equivalents		5,716,204	201,102	426,777	6,344,082	7,589,568
Total assets	\$ 8,285,522	\$ 5,836,010	\$ 861,846	\$ 2,370,846	\$ 17,354,225	\$ 20,781,426
LIABILITIES AND FUND BALANCE						
Liabilities						
Outstanding checks in excess of deposits		\$ 4,226			\$ 4,226	\$ 1,145,298
Accounts payable and accrued expenses	\$ 184,409	1,734,680		\$ 27,027	1,946,115	1,489,012
Accrued salaries, wages, and benefits	255,477			15,655	271,132	454,789
Accrued compensated absences	294,810				294,810	311,462
Due to other funds	139,693	187,000		122,000	448,693	327,253
Due to other governmental entities	102,163				102,163	88,141
Deposits	159,358				159,358	36,507
Deferred revenues	4,929,000				4,929,000	5,478,000
Total liabilities	6,064,909	1,925,906		164,681	8,155,497	9,330,462
Fund Balance						
Reserved for						
Debt service			\$ 201,102		201,102	\$ 339,969
Capital projects		3,910,104			3,910,104	7,016,129
Unreserved, reported in						
General fund	2,220,613				2,220,613	1,574,127
Special revenue funds				1,759,503	1,759,503	1,508,890
Permanent fund				446,662	446,662	425,695
Debt service fund			660,744		660,744	586,154
Total fund balance	2,220,613	3,910,104	861,846	2,206,165	9,198,728	11,450,964
Total liabilities and fund balance	\$ 8,285,522	\$ 5,836,010	\$ 861,846	\$ 2,370,846	\$ 17,354,225	\$ 20,781,426

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS.

AMERICAN FORK CITY
Reconciliation of the Governmental Funds Balance Sheet to the
Government-wide Statement of Net Assets
June 30, 2006

Total fund balance - total governmental funds	\$ 9,198,728
Amounts reported for governmental activities in the Government-wide Statement of Net Assets are different due to the following:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	69,211,462
Interest payable, but not yet due, on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the governmental funds balance sheet.	(84,164)
Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	
Due within one year	(2,528,124)
Due in more than one year	<u>(27,375,169)</u>
Net assets of governmental activities	<u>\$ 48,422,733</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS.

AMERICAN FORK CITY
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2006
With Comparative Totals for the Year Ended June 30, 2005

	General	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds	2005
Revenues						
Taxes	\$ 8,992,974			\$ 844,644	\$ 9,837,618	\$ 8,838,800
License and permits	670,562				670,562	432,302
Intergovernmental	789,076				789,076	861,015
Charges for services	1,281,502			196,880	1,478,382	1,086,322
Other fees and services	925,197			537,001	1,462,198	1,675,957
Fines and forfeitures	716,101				716,101	790,189
Miscellaneous	391,916	\$ 821,666		237,128	1,450,711	851,816
Interest income	164,706	325,212	\$ 17,128	104,033	611,079	240,687
Total revenues	13,932,034	1,146,878	17,128	1,919,687	17,015,728	14,777,088
Expenditures						
General government	2,196,983				2,196,983	2,203,220
Public safety	3,442,318	1,207,735			4,650,053	4,000,342
Public improvements	1,508,596			152,762	1,661,359	3,121,368
Parks and recreation	982,174	3,721,530		1,303,985	6,007,688	3,711,251
Other	1,968,734	1,108,874			3,077,608	2,293,468
Debt service						
Principal			2,401,000		2,401,000	5,443,708
Interest			1,309,229		1,309,229	1,481,042
Total expenditures	10,098,805	6,038,139	3,710,229	1,456,747	21,303,920	22,254,399
Excess (deficiency) of revenues over expenditures	3,833,229	(4,891,261)	(3,693,101)	462,940	(4,288,193)	(7,477,311)
Other financing sources (uses)						
Proceeds of refunding bonds						11,435,723
Payment to bond refunding escrow						(11,435,723)
Proceeds from debt		903,095			903,095	11,609,024
Transfers in	940,235	(1,070,735)	3,628,824	433,000	3,931,323	3,404,501
Transfers out	(4,126,976)	1,952,876		(624,362)	(2,798,462)	(2,348,376)
Total other financing sources (uses)	(3,186,742)	1,785,236	3,628,824	(191,362)	2,035,956	12,665,149
Excess of revenues and other financing sources over expenditures and other financing uses	646,488	(3,106,025)	(64,277)	271,578	(2,252,236)	5,187,838
Fund balance, beginning of year	1,574,125	7,016,129	926,123	1,934,587	11,450,964	6,263,126
Fund balance, end of year	\$ 2,220,613	\$ 3,910,104	\$ 861,846	\$ 2,206,165	\$ 9,198,728	\$ 11,450,964

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS.

AMERICAN FORK CITY
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2006

Net change in fund balances - total governmental funds	\$	(2,252,236)
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Amounts reported for governmental activities in the Statement of Activities are different due to the following:

Governmental funds report capital outlay as expenditures. However, in the Government-wide Statement of Activities and Changes in Net Assets, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the period.		8,638,958
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The net effect of various transactions involving capital assets (ie. Sales, trade ins, transfers and contributions) is to decrease net assets.		(2,115,241)
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Depreciation expense on capital assets is reported in the Government-wide Statement of Activities and Changes in Nets Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure.		(1,335,926)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		2,456,325
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Accrued interest expense on long-term debt is reported in the Government-wide Statement of Activities and Changes in Net Assets, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditure.		(84,164)
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Change in net assets of governmental activities	\$	<u>5,307,715</u>
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SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS.

AMERICAN FORK CITY
PROPRIETARY FUNDS
Statement of Net Assets
June 30, 2006
With Comparative Totals for June 30, 2005

	Business Type Activities - Enterprise Funds				
	Sewer and Water Fund	Building Lease Fund	Broadband Fund	Totals	2005
ASSETS					
Current assets					
Cash and cash equivalents	\$ 2,328,596			\$ 2,328,596	\$ 2,090,212
Cash, State Treasurer's Pool	1,355,576			1,355,576	1,496,675
Accounts receivable, net of allowance	630,437		\$ 140,012	770,448	711,803
Note receivable, current portion	3,383			3,383	2,743
Due from other funds	309,000			309,000	309,000
Total current assets	4,626,992		140,012	4,767,003	4,610,433
Noncurrent assets					
Note receivable, non-current portion	481,473			481,473	486,516
Capital assets					
Land	13,479			13,479	13,479
Buildings and improvements	1,061,339			1,061,339	1,061,339
Improvements other than buildings	40,973,816			40,973,816	39,220,302
Machinery and equipment	799,377		3,337,066	4,136,443	3,401,304
Less: accumulated depreciation	(14,357,488)		(519,404)	(14,876,892)	(13,566,276)
Total capital assets	28,490,523		2,817,662	31,308,186	30,130,148
Water stock	13,419,704			13,419,704	10,720,567
Restricted cash and cash equivalents	342,524		892,873	1,235,398	1,814,605
Total noncurrent assets	42,734,225		3,710,536	46,444,760	43,151,836
Total assets	\$ 47,361,216		\$ 3,850,547	\$ 51,211,764	\$ 47,762,270
LIABILITIES AND NET ASSETS					
Current liabilities					
Outstanding checks in excess of deposits			\$ 363,054	\$ 363,054	
Accounts payable and accrued expenses	\$ 257,806		5,123	262,929	\$ 756,969
Accrued compensated absences	39,630		22,392	62,022	54,779
Accrued salaries and benefits payable	6,338		3,712	10,051	33,241
Interest payable			84,164	84,164	87,314
Long-term debt, current portion	45,000		326,351	371,351	796,779
Total current liabilities	348,775		804,796	1,153,571	1,729,083
Long-term liabilities					
Customer deposits	139,000			139,000	132,841
Long-term debt	209,000		4,728,219	4,937,219	5,037,915
Total long-term liabilities	348,000		4,728,219	5,076,218	5,170,756
Total liabilities	696,775		5,533,015	6,229,790	6,899,839
Net assets					
Invested in capital assets, net of related debt	28,236,523			28,236,523	27,144,412
Restricted					
Debt service					
Capital assets	342,524			342,524	1,814,605
Unrestricted	18,085,394		(1,682,468)	16,402,926	11,903,413
Total net assets	46,664,441		(1,682,468)	44,981,974	40,862,431
Total liabilities and net assets	\$ 47,361,216		\$ 3,850,547	\$ 51,211,764	\$ 47,762,270

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS.

AMERICAN FORK CITY
PROPRIETARY FUNDS
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2006
With Comparative Totals for the Year Ended June 30, 2005

	Business Type Activities - Enterprise Funds				
	Sewer and Water Fund	Building Lease Fund	Broadband Fund	2006 Totals	2005
Operating revenues					
Charges for services	\$ 5,639,549		\$ 484,059	\$ 6,123,608	\$ 5,400,334
Other income	140,222		321,602	461,825	7,562
Total operating revenues	5,779,771		805,661	6,585,432	5,407,895
Operating expenses					
Salaries, wages, and employee benefits	623,061		322,054	945,115	1,046,016
Supplies and materials	280,343		145,385	425,728	436,664
Professional and technical	80,701			80,701	42,026
Depreciation and amortization	1,107,892		192,723	1,300,616	1,195,015
Other	2,109,403		111,385	2,220,787	1,896,977
Total operating expenses	4,201,400		771,547	4,972,947	4,616,698
Operating income (loss)	1,578,371		34,114	1,612,485	791,197
Non-operating income (expense)					
Interest income	71,415		42,456	113,871	117,280
Bond interest expense	(5,231)		(272,192)	(277,423)	(282,773)
Total non-operating income (expense)	66,184		(229,736)	(163,553)	(165,493)
Income (loss) before capital contributions and operating transfers	1,644,554		(195,622)	1,448,932	625,704
Capital contributions	3,860,878			3,860,878	5,068,417
Operating transfers					
Transfers out	(1,161,000)	\$ (29,267)		(1,190,267)	(1,066,000)
Net operating transfers	(1,161,000)	(29,267)		(1,190,267)	(1,066,000)
Net income (loss)	4,344,432	(29,267)	(195,622)	4,119,543	4,628,120
Net assets at beginning of year, as restated	42,320,010	29,267	(1,486,846)	40,862,431	36,234,311
Net assets at end of year	\$ 46,664,441	\$ -0-	\$ (1,682,468)	\$ 44,981,974	\$ 40,862,431

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS.

**AMERICAN FORK CITY
PROPRIETARY FUNDS
Statement of Cash Flows**
For the Year Ended June 30, 2006
With Comparative Totals for the Year Ended June 30, 2005

	Business-Type Activities Enterprise Funds				
	Sewer and Water Fund	Building Lease Fund	Broadband Fund	2006 Totals	2005
Cash flows from operating activities					
Cash received from					
Customers	\$ 5,839,428		\$ 693,518	\$ 6,532,946	\$ 5,279,302
Cash paid to/for					
Employees	(627,855)		(333,207)	(961,062)	(1,014,055)
Suppliers	(2,913,096)		(308,161)	(3,221,257)	(2,051,815)
Net cash provided by (used for)					
operating activities	2,298,477		52,150	2,350,627	2,213,432
Cash flows from noncapital financing activities					
Capital contributions	(1,161,000)	\$ (29,267)		(1,190,267)	(878,000)
Net cash provided by (used for) noncapital					
financing activities	(1,161,000)	(29,267)		(1,190,267)	(878,000)
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(828,264)		(488,650)	(1,316,914)	(1,085,011)
Principal payments on debt	(210,000)		(316,125)	(526,125)	(481,077)
Interest paid on debt	(5,231)		(275,342)	(280,573)	(285,253)
Net cash provided (used for) capital and					
related financing activities	(1,043,495)		(1,080,117)	(2,123,612)	(1,851,341)
Cash flow from investing activities					
Interest income	71,415		42,456	113,871	118,447
Cash collected on note receivable	4,404			4,404	
Net cash provided by investing activities	75,819		42,456	118,275	118,447
Net increase (decrease) in cash	169,800	(29,267)	(985,511)	(844,977)	(397,462)
Cash balance (net of outstanding checks in excess of deposits) at beginning of year	3,856,895	29,267	1,515,329	5,401,492	5,798,954
Cash balance (net of outstanding checks in excess of deposits) at end of year	\$ 4,026,696	\$ -0-	\$ 529,819	\$ 4,556,515	\$ 5,401,492

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS.

AMERICAN FORK CITY
PROPRIETARY FUNDS
Statement of Cash Flows
For the Year Ended June 30, 2006
With Comparative Totals for the Year Ended June 30, 2005

	Business-Type Activities Enterprise Funds				
	Sewer and Water Fund	Building Lease Fund	Broadband Fund	2006 Totals	2005
Reconciliation to operating income					
Operating income (loss)	\$ 1,578,371		\$ 34,114	\$ 1,612,485	\$ 239,575
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation and amortization	1,107,892		192,723	1,300,616	1,195,015
Bad debt			15,614	15,614	
(Increase) decrease in accounts receivable	53,498		(127,757)	(74,259)	(462,208)
Increase (decrease) in accounts payable	(442,649)		(51,391)	(494,040)	50,564
Increase (decrease) in accrued salaries payable	(8,335)		(14,854)	(23,190)	5,778
Increase (decrease) in accrued compensated absences	3,541		3,702	7,243	2,634
Increase (decrease) in customer deposits	6,159			6,159	32,478
Net cash provided by (used for) operating activities	<u>\$ 2,298,477</u>	<u>\$ -0-</u>	<u>\$ 52,150</u>	<u>\$ 2,350,627</u>	<u>\$ 1,063,836</u>
Non-cash investing, capital and financing activities					
Contribution from contractors, water rights, \$2,699,138.					
Contribution from contractors, water and sewer improvements, \$1,161,740.					
Reconciliation of total cash and cash investments:					
Cash and cash equivalents (net of outstanding checks in excess of deposits)	\$ 3,684,172		\$ (363,054)	\$ 3,321,118	\$ 2,395,211
Restricted cash and cash equivalents	342,524		892,873	1,235,398	3,403,743
Total cash and cash investments	<u>\$ 4,026,696</u>	<u>\$ -0-</u>	<u>\$ 529,819</u>	<u>\$ 4,556,515</u>	<u>\$ 5,798,954</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS.

NOTES TO FINANCIAL STATEMENTS

The notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

AMERICAN FORK CITY
Notes to Financial Statements
June 30, 2006

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

American Fork City, Utah (City) was incorporated under the laws of the Territory of Utah in 1853. The City operates under a Council-Mayor form of government and provides the following broad range of services to its citizens: general administrative services, public safety (police and fire), highways and streets, sanitation, recreation and parks, public improvements, planning and zoning. It also operates the water and sewer utilities and provides a digital service network.

Accounting and Reporting Policies

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Boards (GASB). Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Principles Used in Determining Scope of Reporting Entity

The City, for financial purposes, includes all of the funds and account groups relevant to the operations of American Fork City. The financial statements of the City include those of separately administered organizations that are controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board. Based on the foregoing criteria, the financial statements of the American Fork Arts Council and the Redevelopment Agency are included in the accompanying financial statements and reported in the American Fork Arts Council and Redevelopment Agency special revenue funds. The accounts of Tri-City Golf Course and Timpanogos Special Service District are excluded from the accompanying financial statements because the entities are autonomous and have a self-elected board of directors responsible for their operations and the hiring of their management personnel. The City pays Timpanogos Special Service District for its share of services received. Timpanogos Special Service District receives payments from other nearby cities receiving these same services. Tri-City Golf Course was established in 1973 by American Fork City, Pleasant Grove City, and Lehi City. The Golf Course has its own board with one member of the city council serving on that board.

Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements.

AMERICAN FORK CITY
Notes to Financial Statements
June 30, 2006

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (*Continued*)

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The statement of activities demonstrates the degree to which the direct expenses of the given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most of the governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

General Fund

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt.

Capital Projects Fund

The Capital Projects Fund is used to account for funds received and expended for the acquisition or construction of capital facilities, improvements, and equipment (other than those financed by proprietary funds).

AMERICAN FORK CITY
Notes to Financial Statements
June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

The City has adopted an allowable alternative to reporting depreciation for its road and bridge networks. Under this alternative method, referred to as the “modified approach,” the City must maintain an asset management system and demonstrate that its roads and bridges are being preserved at or above condition levels established by City policy. Infrastructure assets accounted for under the modified approach are not depreciated, and maintenance and preservation costs are expensed.

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations in both Governmental and Proprietary Funds.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City first utilizes restricted resources to finance qualifying activities.

NOTE 2 – DEPOSITS AND INVESTMENTS

The City follows the requirements of the Utah Money Management Act (*Utah Code* Annotated 1953, Section 51, Chapter 7) and the rules of the Utah Money Management Council (the Council). Following are discussions of the City’s exposure to various risks related to its cash management activities.

Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City’s policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the City to be in a *qualified depository*, defined as any financial institution whose deposits are insured, up to a mandatory limit, by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, \$624,233 of the City’s bank balances were insured and \$6,849,183 were uninsured and uncollateralized.

AMERICAN FORK CITY
Notes to Financial Statements
June 30, 2006

NOTE 2 – DEPOSITS AND INVESTMENTS

Custodial Credit Risk (*Continued*)

Investments. Custodial credit risk for investments is the risk that in the event of failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. As with Deposits, the City's policy for managing custodial credit risk of investments is to adhere to the Money Management Act.

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investments securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rate "A" or higher by two nationally recognized statistical rating organizations defined in the Act.

The City is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

Investment Type	Fair Value	Maturity	Credit Quality
PTIF	\$ 9,970,401	67 days	Not rated
Total	<u>\$ 9,970,401</u>		

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the City's investments are noted above.

AMERICAN FORK CITY
Notes to Financial Statements
June 30, 2006

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk (Continued)

The City's cash and cash equivalents include \$2,192,666, of restricted and designated cash. The City has \$1,093,975 restricted for debt service, \$652,029 restricted for capital projects, and \$446,662 restricted for cemetery care.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable of \$1,255,304 for the proprietary funds consists of \$770,448 operating receivables and \$484,856 note receivable from Heritage Care Center (See Note 18) in the Sewer and Water fund. Accounts receivable for the Sewer and Water Fund and the Broadband are net of the reserve for bad debts of \$5,000 and \$15,614, respectively. During the year, accounts determined to be worthless and uncollectible are charged against the reserve.

NOTE 4 – SPECIAL ASSESSMENT RECEIVABLES AND DEFERRED REVENUE

During fiscal year 2005, the City assessed property owners \$1,625,000 for the Alpine Special Improvement District. The special assessment receivable is being collected in 10 annual installments. The amount billed and collected each year is equal to the corresponding special assessment bonds principal and interest payable. During 2006, \$163,000 in principal was billed and received.

During fiscal year 2005, the City assessed property owners \$3,853,000 for the Meadows Special Improvement District. The special assessment receivable is being collected in 10 annual installments. The amount billed and collected each year is equal to the corresponding special assessment bonds principal and interest payable. During 2006, \$386,000 in principal was billed and received.

Governmental accounting principles require that special assessment revenue be recognized when the underlying event has occurred (levy) and demand for payment is made (billing). The City has agreed that the incremental sales tax revenue will be used to pay the special assessments.

NOTE 5 – OTHER ASSETS WATER SHARES

At June 30, 2006, the City had water shares which are stated at historical cost or estimated historical cost, in the amount of \$13,419,704. Water shares and rights acquired by the City via development are recorded at fair market value at the time of the contribution. Utah State law allows the trading of water shares but precludes the sale or disposition of water shares or rights acquired or otherwise controlled by the City.

AMERICAN FORK CITY
Notes to Financial Statements
June 30, 2006

NOTE 6 – RETIREMENT PLANS

State Retirement

American Fork City contributes to the Local Governmental Noncontributory Retirement System and the Public Safety Retirement System for employers with Social Security coverage. These retirement systems are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the *Utah Code* Annotated 1953 (Chapter 49) as amended which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and Plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

American Fork City is required to contribute 11.09% of annual covered salary on behalf of participants in the Local Governmental Noncontributory Retirement System. In the Public Safety Retirement System for employers with Social Security coverage contributory division members are required to contribute 12.29% of their salary (all of which was paid by American Fork City for the employee) and American Fork City is required to contribute 7.95% of their annual salary and 19.34% of their annual covered salary for members in the noncontributory division. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

American Fork City's contributions have been as follows:

	Fiscal Year Ending		
	2006	2005	2004
Local Governmental - Noncontributory	\$ 329,650	\$ 322,493	\$ 259,060
Public Safety - Contributory	6,187	11,145	9,161
Public Safety - Noncontributory	214,286	226,965	185,988

The contributions were equal to the required contributions for each year.

AMERICAN FORK CITY
Notes to Financial Statements
June 30, 2006

NOTE 6 – RETIREMENT PLANS (CONTINUED)

Cafeteria / Deferred Compensation Plans

The City offers a cafeteria plan to all full-time employees to fund a variety of employee benefit programs including a 401K plan, life insurance, disability insurance, health insurance, and other benefits.

Also, the City has established a voluntary deferred compensation program pursuant to Section 457 of the Internal Revenue Code. In accordance with Governmental Accounting Standards Board Statement 32 (GASB No. 32), the assets and income of the 457 Plan are held in trust for the exclusive benefit of the participants or their beneficiaries.

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 was as follows:

Governmental activities depreciation expense:

General government	\$ 454,435
Administration	24,426
Ambulance	40,040
Building/Grounds	10,230
Building inspection	10,997
Cemetery	21,890
Engineering	4,654
Fire	73,219
Fitness center	106,776
Library	113,664
Parks	103,887
Police	212,373
Public works	53,673
Recreation	1,339
Senior citizens	289
Streets	100,534
Unassigned surplus	3,500

Total governmental activities depreciation expense	<u>\$ 1,335,927</u>
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Business-type activities depreciation expense:

Sewer and water	\$ 1,107,892
Broadband	192,723

Total business-type activities depreciation expense	<u>\$ 1,300,615</u>
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AMERICAN FORK CITY
Notes to Financial Statements
June 30, 2006

NOTE 7 – CAPITAL ASSETS (CONTINUED)

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 15,034,141	\$ 712,451		\$ 15,746,592
Bridge network	1,353,714			1,353,714
Road network	13,534,779	477,995		14,012,774
Construction in progress	2,836,724	3,871,022	\$ (2,758,419)	3,949,327
Total capital assets not being depreciated	32,759,358	5,061,468	(2,758,419)	35,062,407
Other capital assets:				
Buildings and improvements	24,729,194	3,076,493		27,805,687
Equipment	5,935,645	1,553,472	(96,884)	7,392,233
Curb and gutter	9,962,171	323,220		10,285,391
Total other capital assets at historical cost	40,627,010	4,953,185	(96,884)	45,483,311
Less accumulated depreciation for:				
Buildings and improvements	(3,407,066)	(565,920)		(3,972,986)
Equipment	(3,888,637)	(516,645)	78,472	(4,326,810)
Curb and gutter	(2,781,099)	(253,362)		(3,034,461)
Total accumulated depreciation	(10,076,802)	(1,335,927)	78,472	(11,334,257)
Other capital assets, net	30,550,208	3,617,258	(18,412)	34,149,054
Governmental activities capital assets, net	\$ 63,309,566	\$ 8,678,726	\$ (2,776,831)	\$ 69,211,461
Business-type activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 13,479			\$ 13,479
Construction in progress	104,221			104,221
Total capital assets not being depreciated	117,700			117,700
Other capital assets:				
Buildings and improvements	40,876,913	\$ 1,763,940		42,640,853
Equipment	2,701,811	724,713		3,426,524
Total other capital assets at historical cost	43,578,724	2,488,653		46,067,377
Less accumulated depreciation for:				
Buildings and improvements	(13,224,505)	(1,207,501)		(14,432,006)
Equipment	(341,771)	(103,114)		(444,885)
Total accumulated depreciation	(13,566,276)	(1,310,615)		(14,876,891)
Other capital assets, net	30,012,448	1,178,038		31,190,486
Business-type activities capital assets, net	\$ 30,130,148	\$ 1,178,038	\$ -0-	\$ 31,308,186

AMERICAN FORK CITY
Notes to Financial Statements
June 30, 2006

NOTE 8 – DEFICIT NET ASSETS

For the year ended June 30, 2006, the City had negative equity in the Broadband Fund. During fiscal year 2003, an existing high-speed broadband system was purchased from a private company. The start-up phase includes bringing up the existing system, upgrades, and expansion of the infrastructure. The City began providing wholesale services to internet providers during fiscal year 2003. It was anticipated that by fiscal year 2008, the user penetration rate would have generated sufficient revenues to offset operating expenses. Currently, however, City officials are discussing the possibility of selling the Broadband Fund to a private company.

NOTE 9 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the City to purchase commercial insurance for these risks. Various policies are purchased through an insurance agency to cover liability, theft, damage, and other losses. A minimal deductible applies to these policies which the City pays in the event of any loss. There have been no significant reductions in the coverage from the prior year. Settled claims have not exceeded this commercial coverage in any of the three preceding years. The City also has purchased a workers' compensation policy.

AMERICAN FORK CITY
Notes to Financial Statements
June 30, 2006

NOTE 10 — LONG-TERM DEBT

Individual Terms and Payment Schedules	<u>Governmental</u>	<u>Business-type</u>
General Obligation Bonds		
\$850,000, General Obligation Water System Bond, due in annual installments on January 1 of \$44,000 to \$45,000 from 1993 to 2011, bearing no interest.		\$ 225,000
\$29,000, General Obligation Water System Bond, series 1991 C due in full on January 1, 2011, bearing no interest.		29,000
\$9,980,000 General Obligation Public Safety Building and Refunding Bonds, due in annual installments on June 1 of \$300,000 to \$365,000 from 2001 to 2010. Interest at 4.6% to 5.25% is due in semi-annual payments on June 1 and December 1.	\$ 1,945,000	
\$9,200,000 General Obligation Bond, due in annual installments on December 1 of \$390,000 to \$435,000 from 1998 to 2007. Interest at 4.4% to 5.5% is due in semi-annual payments on June 1 and December 1.	845,000	
\$3,200,000 General Obligation Bond, due in annual installments on September 1 of \$170,000 to \$275,000 from 2004 to 2019. Interest at 2.25% to 4.25% is due in semi-annual payments on September 1 and March 1.	2,855,000	
\$2,500,000 General Obligation Bond, due in annual installments on June 1 of \$40,000 to \$190,000 from 2003 to 2021. Interest at 3% to 4.8% is due in semi-annual payments on December 1 and June 1.	2,155,000	
\$5,415,000 General Obligation Bond, due in annual installments on June 1 of \$25,000 to \$610,000 from 2004 to 2020. Interest at 3% to 4.1% is due in semi-annual payments on December 1 and June 1.	5,340,000	

AMERICAN FORK CITY
Notes to Financial Statements
June 30, 2006

NOTE 10 – LONG-TERM DEBT (CONTINUED)

\$5,545,000 General Obligation Bond, due in annual installments on June 1 of \$445,000 to \$690,000 from 2005 to 2017. Interest at 4.0% to 5% is due in semi-annual payments on December 1 and June 1.

5,545,000

Total General Obligation Bonds

18,685,000

254,000

Revenue Bonds

Governmental

Business-type

\$6,000,000, 2003 Sales Tax Revenue Bonds, due in annual installments on March 1 of \$310,000 to \$550,000 from 2004 to 2018. Interest at 1.75% to 5.6% is due in semi-annual payments on March 1 and September 1.

5,050,000

\$5,810,000, 2005 Sales Tax Revenue Bonds, due in annual installments on March 1 of \$300,000 to \$465,000 from 2005 to 2019. Interest at 3.5% to 5% is due in semi-annual payments on March 1 and September 1.

5,510,000

Total Revenue Bonds

5,510,000

5,050,000

Special Assessment Bonds

\$1,625,000, 2004 Special Assessment Bond, due in annual principal payments on November 30, of \$162,000 to \$163,000 from 2005 to 2014. Interest at 4.1% is due in annual payments on November 1.

1,462,000

\$3,853,000, 2004 Special Assessment Bond, due in annual principal payments on November 30, of \$385,000 to \$386,000 from 2005 to 2014. Interest at 4.1% is due in annual payments on November 1.

3,467,000

Total Special Assessment

4,929,000

AMERICAN FORK CITY
Notes to Financial Statements
June 30, 2006

NOTE 10 – LONG-TERM DEBT (CONTINUED)

Capital Leases	<u>779,293</u>	<u>4,569</u>
Total Debt	<u>\$ 29,903,293</u>	<u>\$ 5,308,569</u>

Transactions for the year ended June 30, 2006 are summarized as follows:

	Balance June 30, 2005	Issues or Additions	Payments or Expenditures	Balance June 30, 2006	Due within one year
Governmental Type Activities					
General Obligation Bonds	\$ 20,010,000		\$ 1,325,000	\$ 18,685,000	\$ 1,370,000
Revenue Bonds	6,037,000		527,000	5,510,000	405,000
Special Assessment Bonds	5,478,000		549,000	4,929,000	549,000
Capital Lease	33,198	\$ 903,065	156,970	779,293	204,124
Total governmental activities	<u>31,558,198</u>	<u>903,065</u>	<u>2,557,970</u>	<u>29,903,293</u>	<u>2,528,124</u>
Business-Type Activities					
General Obligation Bonds	464,000		210,000	254,000	45,000
Revenue Bonds	5,365,000		315,000	5,050,000	325,000
Capital Lease	5,694		1,125	4,569	1,351
Total business-type activities	<u>5,834,694</u>		<u>526,125</u>	<u>5,308,569</u>	<u>371,351</u>
Total government	<u>\$ 37,392,892</u>	<u>\$ 903,065</u>	<u>\$ 3,084,095</u>	<u>\$ 35,211,862</u>	<u>\$ 2,899,475</u>

The General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the City. The general revenues of the City are contingently liable for the General Obligation Bonds which are currently outstanding and recorded as obligations of the business-type activities. The full faith and credit of the City is pledged to redeem these bonds if revenues from the proprietary funds are insufficient to meet the obligations. There are a number of covenants and restrictions contained in the revenue bonds. The City was in compliance with all significant covenants and restrictions related to the bonds at June 30, 2006.

AMERICAN FORK CITY
Notes to Financial Statements
June 30, 2006

NOTE 10 — LONG-TERM DEBT (CONTINUED)

General Obligation Bonds future debt service requirements

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 1,370,000	\$ 793,565	\$ 45,000	
2008	1,380,000	731,685	45,000	
2009	1,145,000	670,169	45,000	
2010	1,195,000	623,409	45,000	
2011	1,240,000	571,809	74,000	
2012-2016	7,050,000	2,024,769		
2017-2021	5,305,000	483,794		
Total	<u>\$ 18,685,000</u>	<u>\$ 5,899,200</u>	<u>\$ 254,000</u>	<u>\$ - 0 -</u>

Revenue Bonds future debt service requirements

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 405,000	\$ 224,988	\$ 325,000	\$ 252,493
2008	425,000	210,813	340,000	241,150
2009	425,000	195,938	350,000	227,924
2010	400,000	180,000	365,000	213,189
2011	435,000	165,000	385,000	196,874
2012-2016	2,215,000	545,613	2,215,000	677,028
2017-2019	1,205,000	106,388	1,070,000	90,720
	<u>\$ 5,510,000</u>	<u>\$ 1,628,740</u>	<u>\$ 5,050,000</u>	<u>\$ 1,899,378</u>

AMERICAN FORK CITY
Notes to Financial Statements
June 30, 2006

NOTE 10 — LONG-TERM DEBT (CONTINUED)

Special Assessment Bonds future debt service requirements

Year Ending June 30,	Governmental Activities		Business Type	
	Principal	Interest	Principal	Interest
2007	\$ 549,000	\$ 202,089		
2008	549,000	179,580		
2009	548,000	157,071		
2010	548,000	134,603		
2011	547,000	112,135		
2012-2015	2,188,000	224,270		
Total	<u>\$ 5,478,000</u>	<u>\$ 1,234,346</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

The City entered into a capital lease agreement with Textron Financial in September 2003 to purchase maintenance equipment for the local parks. The City financed the purchase over thirty-six months at a stated rate of 5.70% and an effective rate of 5.86% interest. Monthly payments \$1,753 are required through August 2006. The lease is secured by the equipment. The maintenance equipment is recorded at \$57,785 with accumulated amortization of \$11,192.

The City entered into a capital lease agreement with Ford Motor Co. in July 2004 to purchase a van. The City financed the purchase over thirty-six months at a stated rate of 4.35% and an effective rate of 4.65% interest. Annual payments of \$4,045 are required through July 2007. The lease is secured by the van. The van is recorded at \$21,150 with accumulated amortization of \$8,390.

The City entered into a capital lease agreement with Smeal Apparatus Co. in November 2005 to purchase an aerial. The City financed the purchase over sixty months at a stated rate of 3.82%. Semi-annual payments of \$75,631 are required through December 2010. The lease is secured by the aerial. The aerial is recorded at \$700,301 with no accumulated amortization as it has not yet been received and placed into service.

The City entered into a capital lease agreement with Ford Motor Credit Co. in September 2005 to purchase additional police vehicles. The City financed the purchase over sixty months at a stated rate of 5.10%. Annual payments of \$72,347 are required through September 2007. The lease is secured by the vehicles. The vehicles are recorded at \$206,330 with accumulated amortization of \$32,702.

The City entered into a capital lease agreement with Xerox in June 2006 to purchase a color copier for the planning department.. The City financed the purchase over sixty months at a stated rate of 7.55%. Annual payments of \$3,464 are required through June 2011. The lease is secured by the copier. The copier is recorded at \$14,385 with accumulated amortization of \$3.

AMERICAN FORK CITY
Notes to Financial Statements
June 30, 2006

NOTE 10 – LONG-TERM DEBT (CONTINUED)

Capital Leases future debt service requirements:

Year Ending June 30,	Governmental	Business
2007	\$ 234,624	\$ 2,083
2008	231,119	2,083
2009	154,727	1,734
2010	154,726	
2011	79,095	
Total minimum lease payments	854,290	5,900
Amount representing interest	(74,998)	(1,331)
Present value of minimum lease payments	779,293	4,569
Amount due within one year	(204,124)	(2,083)
	<u>\$ 575,169</u>	<u>\$ 2,486</u>

NOTE 11 – COMMITMENTS

In April 2003, the City issued bonds to improve the parks. The estimated completion date of the improvements is June 2007. In April 2005, the City issued \$5,810,000 in sales tax revenue bonds for redevelopment projects. The estimated completion date is June 2007. The projects, taken as a whole, are approximately 75% complete.

NOTE 12 - REDEVELOPMENT AGENCY DISCLOSURES

In accordance with Section 17A-2-1217(3), the following information is provided for the Redevelopment Agency Fund:

- A) The tax increment collected by the Redevelopment Agency Fund was as follows:

West Side	\$ 41,092
East Side	55,060
Business Park	568,042
Egg Farm	180,451
- B) There were no tax increments paid to any taxing agency pursuant to Section 17A-2-1258 during the year ended June 30, 2006.
- C) The outstanding principal amount of bonds issued or other loans incurred to finance the costs associated with the project areas are as follows:

Sales Tax Revenue Bond	\$ 5,510,000
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AMERICAN FORK CITY
Notes to Financial Statements
June 30, 2006

NOTE 12 - REDEVELOPMENT AGENCY DISCLOSURES (CONTINUED)

D) The following amounts were expended during the year ended June 30, 2006:

i) Property acquisition	\$ - 0 -
ii) Site improvements	- 0 -
iii) Public utilities and improvements	719,751
iv) Administrative costs	40,000

NOTE 13 - INTERFUND BALANCES

The interfund balances at June 30, 2006 consisted of the following:

	Due To	Due From
General fund	\$ 139,693	
Capital projects fund	88,000	
Sewer and water fund	188,000	\$ 497,000
Perpetual care trust fund		19,886
Alpine project		20,495
Meadows project	99,000	99,312
Redevelopment agency	122,000	
Total	<u>\$ 636,693</u>	<u>\$ 636,693</u>

The balance due to the Sewer and Water Fund is loans for capital projects that will be repaid from debt proceeds. The balance due to the other governmental funds is because of the timing of the interest income transferred from the general fund.

AMERICAN FORK CITY
Notes to Financial Statements
June 30, 2006

NOTE 14 – INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2006, consisted of the following:

	<u>Transfer Out</u>	<u>Transfer In</u>
General fund	\$ 4,126,976	\$ 957,608
Building lease fund	29,235	
Arts council fund		20,000
Capital improvements	292,000	635,600
Celebration committee fund		80,000
Capital projects		
Debt service fund		3,628,824
Alpine valley center	248,731	321,826
Meadows project	530,004	995,450
Sewer and water fund	1,161,000	
Fitness center fund		333,000
Perpetual care trust fund	17,373	
Redevelopment agency	566,989	
Total	<u>\$ 6,972,308</u>	<u>\$ 6,972,308</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund or the fund remitting the debt service payments as they become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 15 – RESERVED FUND BALANCE

At June 30, 2006, the following City funds have been reserved:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Capital Projects Fund	\$ 309,571	Impact fees for parks
Capital Projects Fund	3,600,533	Construction projects
Permanent Fund	446,662	Cemetery care
Broadband Fund	892,873	Construction projects
Sewer and Water Fund	342,524	Impact fees for system improvements
Total	<u>\$ 5,592,163</u>	

AMERICAN FORK CITY
Notes to Financial Statements
June 30, 2006

NOTE 16 – LESSOR LEASING ARRANGEMENTS

The City entered into an agreement with the State of Utah to lease office and court space to the Fourth Judicial District and Juvenile Courts. The lease agreement is through September 30, 2022, with five year renewal options. The annual lease payment is \$349,300 through September 2022. The Court will also pay \$81,578 annually for operating and maintenance costs through fiscal year 2007. The operating and maintenance portion will then be adjusted based on the City's actual costs.

Courts Building Lease	
Year	Amount
2007	\$ 349,300
2008	349,300
2009	349,300
2010	349,300
2011	349,300
2012-2016	1,746,500
2017-2021	1,746,500
2022	349,300
Total	<u>\$ 5,588,800</u>

NOTE 17 – RECLASSIFICATION

Comparative data for the prior year have been presented in the financial statements to provide an understanding of changes in the City's financial position and results of operations. Certain data for the prior year have been reclassified to conform with the June 30, 2006 presentation.

NOTE 18 - SALE OF HOSPITAL

The City sold the old hospital building to the tenant, Heritage Care Center, for \$2,686,964 in July 2003.

The City is financing \$492,000 of the sales price. The City's loan is secured by a second position interest in the building. The City's security is subordinate to the U.S. Department of Housing and Urban Development (HUD) which holds the first position interest.

Repayment of the note is subject to Heritage Care Center being in a surplus cash position as defined by their regulatory agreement with HUD. The City collected \$4,403 toward the principal on the note, as well as interest in fiscal year 2006. The note receivable is recorded in the Water and Sewer fund.

AMERICAN FORK CITY
Notes to Financial Statements
June 30, 2006

NOTE 18 - SALE OF HOSPITAL (CONTINUED)

Scheduled principal and interest payments are as follows:

Year Ended June 30,	Principal	Interest	Total
2007	\$ 3,383	\$ 38,551	\$ 41,934
2008	3,663	38,271	41,934
2009	3,967	37,967	41,934
2010-2014	25,345	184,325	209,670
2015-2019	37,736	171,934	209,670
2020-2024	56,185	153,485	209,670
2025-2029	83,654	126,016	209,670
2030-2034	124,552	85,118	209,670
2035-2038	146,371	24,859	171,230
	<u>\$484,856</u>	<u>\$860,526</u>	<u>\$1,345,382</u>

NOTE 19 - CONTINGENT LIABILITY

In late Summer 2002, American Fork City purchased fiber optic lines and assets of a now defunct entity, Switchpoint. At the time of the purchase, Switchpoint was leasing a network operations center (NOC) in the Central Park Office Buildings (DMP) in Orem. The purchase of Switchpoint did not include prior lease agreements or property on DMP premises. The City did, however, send signals through the NOC on DMP property pursuant to an oral agreement. In March 2004, the agents of DMP revoked permission to use the NOC, and asserted a claim against the City for compensation for past use. This suit was dismissed by the Fourth District Court in September 2005.

On September 14, 2004, the City was served with a claim by individuals and entities that distribute Kirby Vacuum cleaners. The City is one of over 30 communities in Utah that has been sued for having a solicitors license/permit requirement. The City has since settled this claim, paying a sum of \$20,000 in September 2006.

In August 2003, the City was served a claim by an individual for injuries sustained when they stepped on a loose manhole cover. The City's insurance paid a confidential claim in February 2006 and the matter is closed. The City's deductible on the insurance policy that paid the claim is \$10,000.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB, but are not considered a part of the basic financial statements. Such information includes:

Modified Approach – Asset Management System Reporting

Road Network

Bridge Network

Budgetary Comparison Schedules – General Fund

AMERICAN FORK CITY
Required Supplementary Information
Modified Approach – Asset Management System

As allowed by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the City has adopted an alternative method for reporting costs associated with certain infrastructure assets. Under this alternative method, referred to as the "modified approach," infrastructure assets are not depreciated, and maintenance and preservation costs are expensed. The City capitalizes costs related to new construction, major replacements, and improvements that increase the capacity and/or efficiency of infrastructure assets reported under the modified approach.

In order to utilize the modified approach, the City is required to:

Maintain an asset management system that includes and up-to-date inventory of eligible infrastructure assets.

Perform and document replicable condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale.

Estimate each year the annual amount to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the City.

Document whether the infrastructure assets are being preserved approximately at, or above the condition level established by the City.

Road System

The condition of the City's 96 miles of road pavement is measured using the Distress Identification Manual for Long-Term Pavement Performance Projects published by the Strategic Highway Research Program (SHRP), which is based on a weighted average of seven distress factors found in pavement surfaces. The pavement management system uses a measurement scale that is based on a condition index ranging from zero to 20 years remaining service life for pavement. The condition index is used to classify roads in the following remaining service life categories: 19 to 20 years, 13 to 18 years, 9 to 12 years, 7 to 8 years, and 0 to 6 years. It's the City's policy to maintain the roads with an average remaining service life of 8.5 years or greater. The initial condition assessment was performed in fiscal year 2001 and yielded an average remaining service life (RSL) of 8.5 years. The 2004 assessment indicated an average RSL of 9.0 years. Condition assessments are performed every three years.

Accounting principles generally accepted in the United States of America require reporting the last three complete condition assessments and needed-to-actual information for five years. However, the City implemented these new standards in fiscal year 2003, and did not collect the information for the prior years. The City will continue to collect and retain this information to facilitate, over a period of five years, the reporting of the required information. The schedule below showing the percentage of roads in each service life category only presents information as of the most recent condition assessment period.

AMERICAN FORK CITY
Required Supplementary Information
Modified Approach – Asset Management System

Bridge Network

The condition of the City's bridges is determined using the Structures Inventory System to monitor the condition of the nine City owned bridges. A number, ranging from 1 – 100, is calculated based on condition, geometry, functional use, safety, and other factors. Three categories of condition are established, 80 to 100, 50 to 79, and 1 to 49. It's the City's policy to maintain bridges with an average score of 70 or better. The City's average score based on the initial condition assessment was 89. A condition assessment performed fiscal year 2004 yielded an average score of 91. Condition assessments are performed every two years.

Accounting principles generally accepted in the United States of America require reporting the last three complete condition assessments and needed-to-actual information for five years. However, the City implemented these new standards in fiscal year 2003, and did not collect the information for the prior years. The City will continue to collect and retain this information to facilitate, over a period of five years, the reporting of the required information. The schedule below showing the percentage of bridges in each condition assessment category only presents information as of the most recent condition assessment period.

Subjective Condition Rating of Street Network	Subjective Condition Rating of Bridge Network
Percentage of Network	Percentage of Network

0 to 6	45.57%	80 to 100	77.78%
7 to 8	16.25%	50 to 79	22.22%
9 to 12	21.31%	0 to 49	0.00%
13 to 18	1.55%	Total	100.00%
19 to 20	15.32%		
Total	100.00%		

Average remaining service life	9.23	Average score	91
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Comparison of Needed-to-Actual Costs
Road and Bridge
Maintenance/Preservation

	2003	2004	2005	2006
Needed	\$ 411,335	\$ 414,310	\$ 413,310	\$ 433,772
Actual	396,711	397,593	224,442	417,567

AMERICAN FORK CITY
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive (Negative)
Revenues (inflows)				
Taxes	\$ 7,855,700	\$ 8,694,900	\$ 8,992,974	\$ 298,074
License and permits	383,000	583,000	670,562	87,562
Intergovernmental	778,000	832,700	789,076	(43,624)
Charges for services	1,964,000	1,964,000	1,281,502	(682,498)
Other fees and services	986,400	986,400	925,197	(61,203)
Fines and forfeitures	798,600	798,600	716,101	(82,499)
Miscellaneous	359,700	303,700	391,916	88,216
Transfers in	1,101,400	1,101,400	940,235	(161,165)
Interest income		56,000	164,706	108,706
Total revenues	14,226,800	15,320,700	14,872,269	(448,431)
Expenditures (outflows)				
General government	2,153,400	2,327,700	2,196,983	130,717
Public safety	3,537,200	3,646,800	3,442,318	204,482
Public improvements	2,405,400	1,679,400	1,508,596	170,804
Parks and recreation	1,001,700	1,063,500	982,174	81,326
Other	1,280,100	2,292,400	1,968,734	323,666
Transfers out	3,849,000	4,310,900	4,126,976	183,924
Total expenditures	14,226,800	15,320,700	14,225,781	1,094,919
Excess (deficiency) of revenues over expenditures			646,488	\$ 646,488
Fund balance, beginning of year	1,574,125	1,574,125	1,574,125	
Fund balance, end of year	\$ 1,574,125	\$ 1,574,125	\$ 2,220,612	

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules not required by accounting principles generally accepted in the United States of America, nor a part of the basic financial statements, but are presented for additional analysis.

Such statements and schedules include:

Combining Financial Statements – Non-Major Governmental Funds

Individual Fund Financial Statements and Schedules

General Fund

Special Revenue Funds

Debt Service Fund

Capital Projects Fund

Permanent Fund

Proprietary Funds

Additional Schedules

General Fund Property Tax Levies and Collections

Schedule of Insurance in Force

Additional Auditors' Reports

Report on Internal Control over Financial Reporting
and on Compliance and Other Matters based on an
Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*

Utah State Compliance Report Based on the Requirements,
Special Tests, and Provisions Required by the State of
Utah's Legal Compliance Guide.

COMBINING FINANCIAL STATEMENTS NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

American Fork Arts Council Fund – to account for the arts and cultural activities of the City.

Redevelopment Agency Fund – to account for the tax increment collected and disbursed for public improvements.

Downtown Redevelopment Fund – to account for grant funds received from the U.S. Department of Justice and to account for activities that promote growth and development of the City.

Celebration Committee Fund – to account for the activities of Steel Days, the City's annual celebration.

Fitness Center Fund – to account for the activities of the City's fitness center.

Permanent Fund

Cemetery Care Fund – to account for the fund received and disbursed for cemetery care.

AMERICAN FORK CITY
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2006
With Comparative Totals for June 30, 2005

	Special Revenue Funds		
	American Fork Arts Council	Redevelopment Agency Fund	Downtown Redevelopment Fund
ASSETS			
Cash, checking	\$ 26,693	\$ 8,314	\$ 16,711
Cash, State Treasurer's Pool		1,587,559	
Notes receivable			61,588
Due from other funds			
Inventory			
Prepaid expenses			
Restricted cash			
Total assets	<u>\$ 26,693</u>	<u>\$ 1,595,873</u>	<u>\$ 78,299</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Checks outstanding in excess of deposits			
Accounts payable	\$ 1,936		
Accrued salaries and benefits payable			
Due to other funds		\$ 122,000	
Total liabilities	<u>1,936</u>	<u>122,000</u>	
Fund balance			
Fund Balance	<u>24,757</u>	<u>1,473,873</u>	<u>\$ 78,299</u>
Total fund balance	<u>24,757</u>	<u>1,473,873</u>	<u>78,299</u>
Total liabilities and fund balance	<u>\$ 26,693</u>	<u>\$ 1,595,873</u>	<u>\$ 78,299</u>

<u>Celebration Committee Fund</u>	<u>Fitness Center Fund</u>	<u>Permanent Cemetery Care Fund</u>	<u>Total Other Governmental Funds</u>	<u>2005</u>
\$ 57,634	\$ 51,618		\$ 160,970	\$ 76,710
	93,995		1,681,554	1,704,447
			61,588	47,781
		\$ 19,886	19,886	18,253
5,002	2,570		7,572	10,703
12,500			12,500	80
		426,777	426,777	407,442
<u>\$ 75,135</u>	<u>\$ 148,184</u>	<u>\$ 446,662</u>	<u>\$ 2,370,846</u>	<u>\$ 2,265,416</u>
\$ 10,513	\$ 14,578		\$ 27,027	\$ 153,652
	15,655		15,655	17,457
			122,000	37,722
				122,000
<u>10,513</u>	<u>30,233</u>		<u>164,681</u>	<u>330,831</u>
64,622	117,951	\$ 446,662	2,206,165	1,934,585
<u>64,622</u>	<u>117,951</u>	<u>446,662</u>	<u>2,206,165</u>	<u>1,934,585</u>
<u>\$ 75,135</u>	<u>\$ 148,184</u>	<u>\$ 446,662</u>	<u>\$ 2,370,846</u>	<u>\$ 2,265,416</u>

AMERICAN FORK CITY
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended June 30, 2006
With Comparative Totals for the Year Ended June 30, 2005

	Special Revenue Funds		
	American Fork Arts Council	Redevelopment Agency Fund	Downtown Redevelopment Fund
Revenues			
Taxes		\$ 844,644	
Charges for services	\$ 52,506		
Other fees and services			
Miscellaneous			
Interest income		78,823	\$ 1,991
Total revenues	52,506	923,467	1,991
Expenditures			
Public improvements		152,762	
Parks and recreation	67,550		
Total expenditures	67,550	152,762	
Excess (deficiency) of revenues over expenditures	(15,044)	770,705	1,991
Other financing sources (uses)			
Operating transfers in	20,000		
Operating transfers out		(606,989)	
Total other financing sources (uses)	20,000	(606,989)	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	4,956	163,716	1,991
Fund balance beginning of year	19,801	1,310,157	76,309
Fund balance at end of year	\$ 24,757	\$ 1,473,873	\$ 78,299

<u>Celebration Committee Fund</u>	<u>Fitness Center Fund</u>	<u>Permanent Cemetery Care Fund</u>	<u>Total Other Governmental Funds</u>	<u>2005</u>
\$ 125,369	\$ 537,001	\$ 19,005	\$ 844,644	\$ 818,730
	237,128		196,880	21,943
	3,885	19,335	537,001	693,601
<u>125,369</u>	<u>778,014</u>	<u>38,340</u>	<u>1,919,687</u>	<u>1,792,479</u>
			152,762	99,503
182,996	1,053,438		1,303,985	1,219,828
<u>182,996</u>	<u>1,053,438</u>		<u>1,456,747</u>	<u>1,319,331</u>
(57,628)	(275,424)	38,340	462,940	473,148
80,000	333,000		433,000	330,000
		(17,373)	(624,362)	(59,876)
<u>80,000</u>	<u>333,000</u>	<u>(17,373)</u>	<u>(191,362)</u>	<u>270,124</u>
22,372	57,576	20,967	271,578	743,272
<u>42,250</u>	<u>60,375</u>	<u>425,695</u>	<u>1,934,587</u>	<u>1,191,313</u>
<u>\$ 64,622</u>	<u>\$ 117,951</u>	<u>\$ 446,662</u>	<u>\$ 2,206,165</u>	<u>\$ 1,934,585</u>

GENERAL FUND

The general fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds.

AMERICAN FORK CITY
GENERAL FUND
Balance Sheet
June 30, 2006
With Comparative Totals for June 30, 2005

ASSETS	<u>2006</u>	<u>2005</u>
Petty cash	\$ 400	\$ 400
Cash, checking	672,240	168,535
Cash, State Treasurer's Pool	2,345,483	3,117,983
Prepaid expenses		21,582
Receivables, net of allowance:		
Intergovernmental	101,834	111,414
Garbage billings	82,908	73,190
Ambulance	141,003	76,557
Assessments	4,929,000	5,478,000
Grants	12,653	4,550
	<hr/>	<hr/>
Total assets	\$ 8,285,522	\$ 9,052,210
	<hr/>	<hr/>
LIABILITIES AND FUND BALANCE		
Liabilities		
Outstanding checks in excess of deposits		\$ 991,646
Accounts payable and accrued expenses	\$ 184,409	137,008
Accrued compensated absences	294,810	311,462
Accrued salaries and benefits	255,477	417,068
Due to other funds	139,693	18,253
Due to other governmental entities	102,163	88,141
Performance bonds payable	159,358	36,507
Deferred revenue	4,929,000	5,478,000
Total liabilities	<hr/>	<hr/>
	6,064,909	7,478,085
	<hr/>	<hr/>
Fund Balance		
Unreserved	2,220,613	1,574,127
Total fund balance	<hr/>	<hr/>
	2,220,613	1,574,127
	<hr/>	<hr/>
Total liabilities and fund balance	\$ 8,285,522	\$ 9,052,210
	<hr/>	<hr/>

AMERICAN FORK CITY
GENERAL FUND
Statement of Revenues, Expenditures and Changes in
Fund Balance Budget and Actual
For the Year Ended June 30, 2006
With Comparative Totals for the Year Ended June 30, 2005

	2006		Variance	
	Budget	Actual	Favorable (Unfavorable)	2005
Revenues				
Taxes				
Property taxes	\$ 1,864,900	\$ 1,975,873	\$ 110,973	\$ 1,921,056
Delinquent taxes	120,800	112,094	(8,706)	90,297
Sales taxes	4,681,000	4,810,204	129,204	4,225,068
Energy taxes	1,109,200	1,257,056	147,856	1,060,077
Franchise taxes	160,000	18,339	(141,661)	83,263
Motor vehicle fees	300,000	305,660	5,660	295,684
Telephone tax	444,000	500,012	56,012	333,442
Penalties and interest	15,000	13,736	(1,264)	11,184
Total	8,694,900	8,992,974	298,074	8,020,070
Licenses and permits				
Business licenses	55,000	68,382	13,382	59,628
Building permits	525,000	600,271	75,271	370,111
Dog licenses and other	3,000	1,909	(1,091)	2,564
Total	583,000	670,562	87,562	432,303
Intergovernmental revenue				
State and other grants	79,200	39,216	(39,984)	142,988
Road fund allotments	735,000	729,092	(5,908)	699,622
Liquor fund allotments	18,500	20,769	2,269	18,405
Total	832,700	789,076	(43,624)	861,015
Charges for services				
Fire protection	12,500	9,034	(3,466)	14,981
Ambulance fees	375,000	468,957	93,957	342,383
Refuse collection	715,000	802,747	87,747	706,384
Sale of plastic bags	500	764	264	632
Total	1,103,000	1,281,502	178,502	1,064,380

AMERICAN FORK CITY
GENERAL FUND
Statement of Revenues, Expenditures and Changes in
Fund Balance Budget and Actual
For the Year Ended June 30, 2006
With Comparative Totals for the Year Ended June 30, 2005

	2006		Variance	
	Budget	Actual	Favorable (Unfavorable)	2005
Revenues (continued)				
Lease payments and other fees				
Safety contracts	314,200	314,015	(185)	316,910
Recreation fees	250,000	245,684	(4,316)	229,853
Library fees	85,000	84,028	(972)	84,125
Library development	6,500	10,167	3,667	8,065
Interlocal contributions	77,300	66,525	(10,775)	76,500
Senior citizens fees	6,700	9,219	2,519	6,583
Boat harbor fees	50,000	26,405	(23,595)	21,107
Utility late fees	35,000	41,409	6,409	63,146
Transaction fees	700	1,290	590	785
Total	<u>825,400</u>	<u>798,742</u>	<u>(26,658)</u>	<u>807,073</u>
Cemetery fees				
Sale of lots	90,000	54,982	(35,018)	104,507
Perpetual care interest	9,000	17,373	8,373	9,876
Grave opening fees	62,000	54,100	(7,900)	60,900
Total	<u>161,000</u>	<u>126,455</u>	<u>(34,545)</u>	<u>175,284</u>
Fines and forfeitures				
Fines	170,100	160,118	(9,982)	173,242
Police reimbursement	10,000	9,788	(213)	13,855
Traffic school	197,500	125,244	(72,256)	180,355
State reimbursement and rent	421,000	420,952	(48)	422,738
Total	<u>798,600</u>	<u>716,101</u>	<u>(82,499)</u>	<u>790,189</u>
Miscellaneous revenues				
Interest earnings	56,000	164,706	108,706	71,404
Development and plan fees	22,000	228,462	206,462	141,667
Sale of surplus property and equipment	30,000	18,260	(11,741)	22,157
Other revenue	251,700	145,195	(106,505)	106,251
Total	<u>359,700</u>	<u>556,622</u>	<u>196,922</u>	<u>341,479</u>
Total revenues	<u>\$ 13,358,300</u>	<u>\$ 13,932,034</u>	<u>\$ 573,734</u>	<u>\$ 12,491,793</u>

AMERICAN FORK CITY
GENERAL FUND
Statement of Revenues, Expenditures and Changes in
Fund Balance Budget and Actual
For the Year Ended June 30, 2006
With Comparative Totals for the Year Ended June 30, 2005

	2006			
	Budget	Actual	Variance Favorable (Unfavorable)	2005
Expenditures				
General government				
Administration	\$ 866,000	\$ 833,609	\$ 32,391	\$ 951,406
Council	107,100	104,681	2,419	104,992
Legal	317,800	304,185	13,615	273,743
Executive	85,600	43,237	42,363	74,450
Data processing	103,900	94,941	8,959	24,794
Public works	151,500	143,615	7,885	134,082
Fleet maintenance	80,800	77,796	3,004	77,432
Building and grounds	615,000	594,918	20,082	530,627
Total	<u>2,327,700</u>	<u>2,196,983</u>	<u>130,717</u>	<u>2,171,527</u>
Public safety				
Police department	2,964,700	2,805,438	159,262	2,891,649
Fire department	299,600	269,009	30,591	182,161
Ambulance department	382,500	367,872	14,628	366,529
Total	<u>3,646,800</u>	<u>3,442,318</u>	<u>204,482</u>	<u>3,440,339</u>
Public improvements				
Engineering	168,100	157,526	10,574	146,621
Inspection department	436,500	388,690	47,810	401,227
Public improvements	1,074,800	962,380	112,420	899,432
Total	<u>1,679,400</u>	<u>1,508,596</u>	<u>170,804</u>	<u>1,447,280</u>
Parks and recreation				
Parks department	576,900	514,415	62,485	459,010
Senior citizens	21,400	18,835	2,565	18,186
Boat harbor	36,500	34,464	2,036	38,006
Recreation department	423,700	411,642	12,058	391,791
Beautification	5,000	2,817	2,183	8,860
Total	<u>1,063,500</u>	<u>982,174</u>	<u>81,326</u>	<u>915,855</u>
Other				
Sanitation	759,000	716,029	42,971	713,789
Library department	557,100	547,833	9,267	473,492
Literacy center	29,300	26,137	3,163	75,885
Cemetery department	402,000	392,751	9,249	388,139
Planning commission	285,700	239,571	46,129	208,211
Miscellaneous	259,300	46,414	212,886	39,582
Total	<u>2,292,400</u>	<u>1,968,734</u>	<u>323,666</u>	<u>1,899,098</u>
Total expenditures	<u>11,009,800</u>	<u>10,098,805</u>	<u>910,995</u>	<u>9,874,099</u>
Excess of revenues over expenditures	<u>2,348,500</u>	<u>3,833,229</u>	<u>1,484,729</u>	<u>2,617,694</u>
Other financing sources (uses)				
Operating transfers in	1,962,400	940,235	(1,022,165)	1,180,883
Operating transfers out	(4,310,900)	(4,126,976)	183,924	(3,037,311)
Total other financing sources (uses)	<u>(2,348,500)</u>	<u>(3,186,742)</u>	<u>(838,242)</u>	<u>(1,856,428)</u>
Deficiency of revenues and other financing sources over expenditures and other financing uses		646,488	<u>\$ 646,488</u>	761,265
Fund balance at beginning of year	<u>1,574,125</u>	<u>1,574,125</u>		<u>812,860</u>
Fund balance at end of year	<u>\$ 1,574,125</u>	<u>\$ 2,220,613</u>		<u>\$ 1,574,125</u>

AMERICAN FORK CITY
GENERAL FUND
Analysis of Expenditures
Year Ended June 30, 2006
With Comparative Totals for the Year Ended June 30, 2005

	2006					2005
	Salaries, Wages and Benefits	Materials, Supplies, and Services	Other Charges	Capital Outlay	Total	Total
General government						
Administration	\$ 514,093	\$ 44,520	\$ 274,942	\$ 54	\$ 833,609	\$ 951,406
Council	73,016		31,666		104,681	104,992
Legal	301,905	873	1,407		304,185	273,743
Executive	26,073	9,227	7,937		43,237	74,450
Data processing	22,330	55,542		17,069	94,941	24,794
Public works	114,355	25,895	2,465	900	143,615	134,082
Fleet maintenance	75,905	1,521	369		77,796	77,432
Building and grounds	246,133	348,785			594,918	530,627
Total	1,373,810	486,364	318,786	18,024	2,196,983	2,171,527
Public safety						
Police department	2,401,453	338,989	51,396	13,600	2,805,438	2,891,649
Fire department	222,886	23,552	7,460	15,111	269,009	182,161
Ambulance department	270,473	69,253	13,475	14,671	367,872	366,529
Total	2,908,044	457,289	65,788	9,218	3,442,318	3,440,339
Public improvements						
Engineering	131,587	9,467	16,363	110	157,526	146,621
Inspection department	357,444	21,714	8,585	947	388,690	401,227
Public improvements	308,264	207,218	3,350	443,548	962,380	899,432
Roads - class "C"						
Total	877,579	269,537	61,541	238,622	1,508,596	1,447,279
Parks and recreation						
Parks department	394,976	102,900	2,677	13,862	514,415	459,010
Senior citizens	7,595	3,482	7,759		18,835	18,186
Boat harbor	28,525	635	1,790	3,514	34,464	38,006
Recreation department	221,491	185,038	1,579	3,535	411,642	391,791
Beautification			2,817		2,817	8,860
Total	624,264	250,558	24,589	16,443	982,174	915,854
Other						
Sanitation		9,397	660,893	45,740	716,029	713,789
Library department	439,487	100,596	944	6,806	547,833	473,492
Literacy center	25,700	399	37		26,137	75,885
Cemetery department	346,157	42,757		3,837	392,751	388,139
Planning commission	216,414	19,595	2,718	845	239,571	208,211
Miscellaneous	1,251	45,163			46,414	39,582
Total	1,001,041	886,816	5,091	6,150	1,968,734	1,899,098
	\$ 6,784,738	\$ 2,350,564	\$ 475,795	\$ 288,457	\$ 10,098,805	\$ 9,874,095

**AMERICAN FORK CITY
GENERAL FUND
Comparative Five Year Statement of Revenues,
Expenditures and Changes in Fund Balance
Years Ended June 30, 2006**

	2006	2005	2004	2003	2002
Revenues					
Taxes	\$ 8,992,974	\$ 8,020,070	\$ 7,079,457	\$ 6,585,120	\$ 6,560,224
Licenses and permits	670,562	432,303	439,697	530,353	467,288
Intergovernmental revenue	789,076	861,015	927,970	907,953	891,315
Charges for services	1,281,502	1,064,380	1,063,965	1,038,489	1,054,955
Lease payments and other fees	798,742	807,073	575,059	528,342	481,209
Cemetery fees	126,455	175,284	108,330	125,226	141,116
Fines and forfeitures	716,101	790,189	764,339	658,956	325,216
Other revenues	556,622	341,479	287,813	409,438	312,320
Total revenues	<u>13,932,034</u>	<u>12,491,793</u>	<u>11,246,630</u>	<u>10,783,877</u>	<u>10,233,643</u>
Expenditures					
General government	2,196,983	2,171,527	2,212,773	2,049,296	1,712,276
Public safety	3,442,318	3,440,339	3,187,690	3,005,008	2,824,613
Public improvements	1,508,596	1,447,280	1,586,448	1,616,384	1,445,077
Sanitation	716,029	713,789	700,116	672,132	640,932
Parks and recreation	982,174	915,855	893,044	905,912	858,645
Library department	547,833	473,492	465,717	437,333	381,747
Cemetery department	392,751	388,139	374,315	362,025	314,027
Planning commission	239,571	208,211	117,017	93,655	108,633
Literacy center	26,137	75,885	71,342	51,995	29,608
Miscellaneous	46,414	39,582	59,629	74,699	110,918
Total expenditures	<u>10,098,805</u>	<u>9,874,099</u>	<u>9,668,091</u>	<u>9,268,439</u>	<u>8,426,476</u>
Excess of revenues over expenditures	<u>3,833,229</u>	<u>2,617,694</u>	<u>1,578,539</u>	<u>1,515,438</u>	<u>1,807,167</u>
Other financing sources (uses)					
Net operating transfers in (out)	<u>(3,186,742)</u>	<u>(1,856,428)</u>	<u>(1,814,300)</u>	<u>(1,649,800)</u>	<u>(1,734,664)</u>
Total other financing sources (uses)	<u>(3,186,742)</u>	<u>(1,856,428)</u>	<u>(1,814,300)</u>	<u>(1,649,800)</u>	<u>(1,734,664)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	646,488	761,264	(235,761)	(134,362)	72,503
Fund balance at beginning of year	<u>1,574,125</u>	<u>812,861</u>	<u>1,048,622</u>	<u>1,182,984</u>	<u>1,110,481</u>
Fund balance at end of year	<u>\$ 2,220,613</u>	<u>\$ 1,574,125</u>	<u>\$ 812,861</u>	<u>\$ 1,048,622</u>	<u>\$ 1,182,984</u>

SPECIAL REVENUE FUNDS

The special revenue funds are used to account for the proceeds of specific revenue sources that are set aside for expenditure for specified purposes.

**AMERICAN FORK CITY
SPECIAL REVENUE FUNDS
Combining Balance Sheet**

June 30, 2006

With Comparative Totals for June 30, 2005

	American Fork Arts Council	Redevelopment Agency Fund	Downtown Redevelopment Fund
ASSETS			
Cash, checking	\$ 26,693	\$ 8,314	\$ 16,711
Cash, State Treasurer's Pool		1,587,559	
Notes receivable			61,588
Prepaid expenses			
Inventory			
	<u>26,693</u>	<u>1,595,873</u>	<u>78,299</u>
Total assets	<u>\$ 26,693</u>	<u>\$ 1,595,873</u>	<u>\$ 78,299</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Checks outstanding in excess of deposits			
Accounts payable	\$ 1,936		
Accrued salaries and benefits payable			
Due to other funds		\$ 122,000	
Total liabilities	<u>1,936</u>	<u>122,000</u>	
Fund balance			
Unreserved	<u>24,757</u>	<u>1,473,873</u>	<u>\$ 78,299</u>
Total fund balance	<u>24,757</u>	<u>1,473,873</u>	<u>78,299</u>
Total liabilities and fund balance	<u>\$ 26,693</u>	<u>\$ 1,595,873</u>	<u>\$ 78,299</u>

Celebration Committee Fund	Fitness Center Fund	Totals	
		2006	2005
\$ 57,634	\$ 51,618	\$ 160,970	\$ 76,710
	93,995	1,681,554	1,704,447
		61,588	47,781
12,500		12,500	80
5,002	2,570	7,572	10,703
<u>\$ 75,135</u>	<u>\$ 148,184</u>	<u>\$ 1,924,184</u>	<u>\$ 1,839,721</u>
\$ 10,513	\$ 14,578	\$ 27,027	\$ 153,652
	15,655	15,655	17,457
		122,000	37,722
<u>10,513</u>	<u>30,233</u>	<u>164,681</u>	<u>122,000</u>
			330,831
64,622	117,951	1,759,503	1,508,890
<u>64,622</u>	<u>117,951</u>	<u>1,759,503</u>	<u>1,508,890</u>
<u>\$ 75,135</u>	<u>\$ 148,184</u>	<u>\$ 1,924,184</u>	<u>\$ 1,839,721</u>

AMERICAN FORK CITY
SPECIAL REVENUE FUNDS
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended June 30, 2006
With Comparative Totals for the Year Ended June 30, 2005

	American Fork Arts Council	Redevelopment Agency Fund	Downtown Redevelopment Fund
Revenues			
Property taxes		\$ 844,644	
Ticket sales and concessions	\$ 52,506		
General admissions			
Other income			
Interest income		78,823	\$ 1,991
Total revenues	<u>52,506</u>	<u>923,467</u>	<u>1,991</u>
Expenditures			
Supplies			
Production costs	54,765		
Salaries, wages, and employee benefits	8,882		
Utilities			
Other	3,903	152,762	
Total expenditures	<u>67,550</u>	<u>152,762</u>	
Excess (deficiency) of revenues over expenditures	<u>(15,044)</u>	<u>770,705</u>	<u>1,991</u>
Other financing sources (uses)			
Operating transfers in	20,000		
Operating transfers out		(606,989)	
Total other financing sources (uses)	<u>20,000</u>	<u>(606,989)</u>	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	4,956	163,716	1,991
Fund balance beginning of year	<u>19,801</u>	<u>1,310,157</u>	<u>76,309</u>
Fund balance at end of year	<u><u>\$ 24,757</u></u>	<u><u>\$ 1,473,873</u></u>	<u><u>\$ 78,299</u></u>

Celebration Committee Fund	Fitness Center Fund	Totals	
		2006	2005
		\$ 844,644	\$ 818,730
\$ 125,369		177,875	152,038
	\$ 537,001	537,001	541,563
	237,128	237,128	214,272
	3,885	84,698	34,057
<u>125,369</u>	<u>778,014</u>	<u>1,881,347</u>	<u>1,760,660</u>
	136,475	136,475	185,494
182,996		237,761	165,383
	624,841	633,723	656,613
	161,173	161,173	138,061
	130,950	287,616	173,780
<u>182,996</u>	<u>1,053,438</u>	<u>1,456,747</u>	<u>1,319,331</u>
<u>(57,628)</u>	<u>(275,424)</u>	<u>424,600</u>	<u>441,329</u>
80,000	333,000	433,000	330,000
		(606,989)	(50,000)
<u>80,000</u>	<u>333,000</u>	<u>(173,989)</u>	<u>280,000</u>
22,372	57,576	250,611	721,329
<u>42,250</u>	<u>60,375</u>	<u>1,508,892</u>	<u>787,561</u>
<u>\$ 64,622</u>	<u>\$ 117,951</u>	<u>\$ 1,759,503</u>	<u>\$ 1,508,890</u>

AMERICAN FORK CITY
AMERICAN FORK ARTS COUNCIL FUND
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006
With Comparative Totals for the Year Ended June 30, 2005

	2006		Variance	2005
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues				
Ticket sales and concessions	\$ 92,600	\$ 52,506	\$ (40,094)	\$ 77,568
Expenditures				
Production costs	102,700	54,765	47,935	73,260
Salaries, wages, and employee benefits	8,900	8,882	18	7,770
Other	1,000	3,903	(2,903)	7,605
Total expenditures	112,600	67,550	45,050	88,634
Excess (deficiency) of revenues over expenditures	(20,000)	(15,044)	4,956	(11,066)
Other financing sources				
Operating transfers in	20,000	20,000		25,000
Total other financing sources	20,000	20,000		25,000
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses		4,956	\$ 4,956	13,934
Fund balance, beginning of year	19,801	19,801		5,867
Fund balance, end of year	\$ 19,801	\$ 24,757		\$ 19,801

AMERICAN FORK CITY
REDEVELOPMENT AGENCY FUND
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006
With Comparative Totals for the Year Ended June 30, 2005

	2006			2005
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues				
Property taxes	\$ 829,100	\$ 844,644	\$ 15,544	\$ 818,730
Interest income	27,000	78,823	51,823	30,412
Total revenues	856,100	923,467	67,367	849,142
Expenditures				
Public improvements	279,500	152,762	126,738	99,504
Excess (deficiency) of revenues over expenditures	576,600	770,705	194,105	749,639
Other financing sources (uses)				
Operating transfers out	(576,600)	(606,989)	(30,389)	(50,000)
Total other financing sources (uses)	(576,600)	(606,989)	(30,389)	(50,000)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses		163,716	\$ 163,716	699,639
Fund balance, beginning of year	1,310,157	1,310,157		610,518
Fund balance, end of year	\$ 1,310,157	\$ 1,473,873		\$ 1,310,157

AMERICAN FORK CITY
DOWNTOWN REDEVELOPMENT
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006
With Comparative Totals for the Year Ended June 30, 2005

	2006			2005
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues				
Other income	\$ 13,600		\$ (13,600)	
Interest income	1,400	\$ 1,991	591	\$ 960
Total revenues	15,000	1,991	(13,009)	960
Expenses				
Other expenses	35,000			
Other financing uses				
Operating transfers out				
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(20,000)	1,991	\$ (13,009)	960
Fund balance, beginning of year	76,309	76,309		75,348
Fund balance, end of year	\$ 56,309	\$ 78,299		\$ 76,309

**AMERICAN FORK CITY
CELEBRATION COMMITTEE**
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006
With Comparative Totals for the Year Ended June 30, 2005

	<u>2006</u>			<u>2005</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues				
Ticket sales and concessions	<u>\$ 129,600</u>	<u>\$ 125,369</u>	<u>\$ (4,231)</u>	<u>\$ 75,371</u>
Expenditures				
Production costs	<u>209,600</u>	<u>182,996</u>	<u>26,604</u>	<u>93,023</u>
Excess (deficiency) of revenues over expenditures	<u>(80,000)</u>	<u>(57,628)</u>	<u>22,372</u>	<u>(17,652)</u>
Other financing sources				
Operating transfers in	<u>80,000</u>	<u>80,000</u>		<u>25,000</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses		<u>22,372</u>	<u>\$ 22,372</u>	<u>7,348</u>
Fund balance, beginning of year	<u>42,250</u>	<u>42,250</u>		<u>34,902</u>
Fund balance, end of year	<u>\$ 42,250</u>	<u>\$ 64,622</u>		<u>\$ 42,250</u>

AMERICAN FORK CITY
FITNESS CENTER FUND
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006
With Comparative Totals for the Year Ended June 30, 2005

	2006			2005
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues				
General admissions	\$ 457,200	\$ 537,001	\$ 79,801	\$ 541,563
Other income	358,800	237,128	(121,672)	214,272
Interest income		3,885	3,885	2,163
Total revenues	<u>816,000</u>	<u>778,014</u>	<u>(37,986)</u>	<u>757,998</u>
Expenditures				
Supplies	267,181	136,475	130,706	185,492
Salaries, wages, and employee benefits	601,019	624,841	(23,822)	648,843
Utilities	160,000	161,173	(1,173)	138,061
Other	120,800	130,950	(10,150)	66,150
Total expenditures	<u>1,149,000</u>	<u>1,053,438</u>	<u>95,562</u>	<u>1,038,546</u>
Excess (deficiency) of revenues over expenditures	<u>(333,000)</u>	<u>(275,424)</u>	<u>57,576</u>	<u>(280,548)</u>
Other financing sources				
Operating transfers in	333,000	333,000		280,000
Total other financing sources (uses)	<u>333,000</u>	<u>333,000</u>		<u>280,000</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses		57,576	<u>\$ 57,576</u>	(548)
Fund balance, beginning of year	<u>60,375</u>	<u>60,375</u>		60,923
Fund balance, end of year	<u>\$ 60,375</u>	<u>\$ 117,951</u>		<u>\$ 60,375</u>

DEBT SERVICE FUND

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

AMERICAN FORK CITY
DEBT SERVICE FUND
Balance Sheet
June 30, 2006
With Comparative Totals for June 30, 2005

ASSETS	<u>2006</u>	<u>2005</u>
Cash, checking	\$ 415,813	\$ 115,348
Cash, State Treasurer's Pool	90,402	86,665
Cash in excess of bond requirements	154,530	383,666
Restricted cash		
Bond escrow	475	475
Guaranty fund	144,373	
Reserve fund	56,254	182,400
Bond fund		157,569
	<hr/>	<hr/>
Total assets	<u>\$ 861,846</u>	<u>\$ 926,123</u>
 LIABILITIES AND FUND BALANCE		
Fund balance		
Reserved	\$ 201,102	\$ 339,969
Unreserved	660,744	586,154
Total fund balance	<hr/> 861,846	<hr/> 926,123
	<hr/>	<hr/>
Total liabilities and fund balance	<u>\$ 861,846</u>	<u>\$ 926,123</u>

AMERICAN FORK CITY
DEBT SERVICE FUND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006
With Comparative Totals for the Year Ended June 30, 2005

	2006		Variance	2005
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues				
Interest income	\$ 10,000	\$ 17,128	\$ 7,128	\$ 14,565
Total revenues	10,000	17,128	7,128	14,565
Expenditures				
Bond principal	2,406,000	2,401,000	5,000	1,480,000
Bond interest and fees	1,335,500	1,309,229	26,271	982,044
Total expenditures	3,741,500	3,710,229	31,271	2,462,044
Deficiency of revenues over expenditures	(3,731,500)	(3,693,101)	38,399	(2,447,479)
Other financing sources (uses)				
Proceeds of refunding bonds				11,435,723
Payment to bond refunding escrow				(11,435,723)
Operating transfers in	3,630,200	3,628,824	(1,376)	2,572,000
Total other financing sources (uses)	3,630,200	3,628,824	(1,376)	2,572,000
Excess of revenues and other financing sources over expenditures	(101,300)	(64,277)	\$ 37,023	124,521
Fund balance at beginning of year	926,123	926,123		801,602
Fund balance at end of year	\$ 824,823	\$ 861,846		\$ 926,123

CAPITAL PROJECTS FUND

The capital projects fund is used to account for the financial resources to be used for the acquisition or construction of capital assets.

**AMERICAN FORK CITY
CAPITAL PROJECTS FUND
Balance Sheet**

June 30, 2006

With Comparative Totals for June 30, 2005

ASSETS	<u>2006</u>	<u>2005</u>
Cash, checking	\$ (2,404,542)	\$ (221,325)
Cash, savings	2,400,316	1,917,318
Restricted cash		
Construction fund	636,231	754,764
Ambulance	3,490	3,346
Park fees	309,571	296,777
Public works	4,766,911	5,786,795
Due from other funds	<u>119,807</u>	
Total assets	<u><u>\$ 5,831,784</u></u>	<u><u>\$ 8,537,675</u></u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 392,314	\$ 206,179
Developer reimbursement payable	1,342,366	1,128,366
Due to other funds	<u>187,000</u>	<u>187,000</u>
Total liabilities	1,921,680	1,521,545
Fund balance, reserved	<u>3,910,104</u>	<u>7,016,129</u>
Total liabilities and fund balance	<u><u>\$ 5,831,784</u></u>	<u><u>\$ 8,537,675</u></u>

AMERICAN FORK CITY
CAPITAL PROJECTS FUND
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006
With Comparative Totals for the Year Ended June 30, 2005

	Budget	2006	Variance Favorable (Unfavorable)	2005
Revenues				
Interest income	\$ 27,000	\$ 325,212	\$ 298,212	\$ 110,785
Other income	317,000	821,666	504,666	367,470
Total revenues	344,000	1,146,878	802,878	478,255
Expenditures				
Administration	200,000		200,000	31,695
Special improvement districts				1,474,386
Public safety	1,142,400	1,207,735	(65,335)	171,010
Public safety building construction				388,993
Public works				100,200
Cemetery	155,000	5,995	149,005	15,112
Boat harbor		137,971	(137,971)	22,052
City hall	655,000	721,638	(66,638)	22,234
Amphitheater		22,220	(22,220)	33,842
Park expansion	996,400	510,231	486,169	1,553,517
Debt service				
Principal				3,963,708
Interest				498,998
Recreation	5,700,000	3,073,328	2,626,672	
Other projects and equipment acquisitions	629,400	359,020	270,380	323,182
Total expenditures	9,478,200	6,038,139	3,440,061	8,598,929
Deficiency of revenues over expenditures	(9,134,200)	(4,891,261)	4,242,939	(8,120,674)
Other financing sources (uses)				
Proceeds from debt	1,423,800	903,095	(520,705)	11,609,024
Operating transfers out	2,070,700	(1,070,735)	(3,141,435)	(678,382)
Operating transfers in	2,136,800	1,952,876	(183,924)	748,811
Total other financing sources (uses)	5,631,300	1,785,236	(3,846,064)	11,679,453
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(3,502,900)	(3,106,025)	\$ 396,875	3,558,779
Fund balance at beginning of year	7,016,129	7,016,129		3,457,350
Fund balance at end of year	\$ 3,513,229	\$ 3,910,104		\$ 7,016,129

PERMANENT FUND

The permanent fund is used to account for the resources that are restricted for cemetery care. The principal can only be used for cemetery care, but the earnings of the fund can be used to support other government programs.

AMERICAN FORK CITY
PERMANENT FUND - CEMETERY CARE
Balance Sheet
 June 30, 2006
 With Comparative Totals for June 30, 2005

ASSETS			
		<u>2006</u>	<u>2005</u>
Due from other funds	\$	19,886	\$ 18,253
Restricted cash and cash equivalents		<u>426,777</u>	<u>407,442</u>
Total assets	\$	<u>446,662</u>	<u>\$ 425,695</u>
FUND BALANCE			
Fund balance, restricted	\$	<u>446,662</u>	<u>\$ 425,695</u>

AMERICAN FORK CITY
PERMANENT FUND - CEMETERY CARE
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual
For the Year Ended June 30, 2006
With Comparative Totals for the Year Ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2005</u>
Revenues				
Cemetery care	\$ 41,000	\$ 19,005	\$ (21,995)	\$ 21,943
Interest income	10,100	19,335	9,235	9,876
Total revenues	<u>51,100</u>	<u>38,340</u>	<u>(12,760)</u>	<u>31,820</u>
Other financing sources (uses)				
Operating transfers out	<u>(51,100)</u>	<u>(17,373)</u>	<u>33,727</u>	<u>(9,876)</u>
Excess of revenues and other financing sources over expenditures and other financing uses		20,967	<u>\$ 20,967</u>	21,943
Fund balance, beginning of year	<u>425,695</u>	<u>425,695</u>		<u>403,752</u>
Fund balance, end of year	<u>\$ 425,695</u>	<u>\$ 446,662</u>		<u>\$ 425,695</u>

PROPRIETARY FUNDS

The proprietary funds are used to account for the business like activities of the City.

AMERICAN FORK CITY
 PROPRIETARY FUND TYPES
 Combining Statement of Net Assets
 June 30, 2006
 With Comparative Totals for June 30, 2005

	Sewer and Water Fund	Building Lease Fund	Broadband Fund	Totals	
				2006	2005
ASSETS					
Current assets					
Cash, checking	\$ 2,328,596			\$ 2,328,596	\$ 2,090,212
Cash, State Treasurer's Pool	1,355,576			1,355,576	1,496,675
Accounts receivable, net of allowance	630,437		\$ 140,012	770,448	711,803
Note receivable, current portion	3,383			3,383	2,743
Due from other funds	309,000			309,000	309,000
Total current assets	4,626,992		140,012	4,767,003	4,610,433
Property and equipment, at cost					
Land	13,479			13,479	13,479
Buildings and improvements	1,061,339			1,061,339	1,061,339
Improvements other than buildings	40,973,816			40,973,816	39,220,302
Machinery and equipment	799,377		3,337,066	4,136,443	3,401,304
Less: accumulated depreciation	(14,357,488)		(519,404)	(14,876,892)	(13,566,276)
Total property and equipment	28,490,523		2,817,662	31,308,186	30,130,148
Water stock	13,419,704			13,419,704	10,720,567
Noncurrent assets					
Note receivable, non-current portion	481,473			481,473	486,516
Restricted cash					
Bond fund	67		892,873	892,940	1,443,140
Impact fees	342,458			342,458	371,465
Total noncurrent assets	823,997		892,873	1,235,398	1,814,605
Total assets	\$ 47,361,216	\$ -0-	\$ 3,850,547	\$ 51,211,764	\$ 47,762,270

AMERICAN FORK CITY
ALL PROPRIETARY FUND TYPES
Combining Statement of Net Assets (Continued)
June 30, 2006
With Comparative Totals for June 30, 2005

	Sewer and Water Fund	Building Lease Fund	Broadband Fund	Totals	
				2006	2005
LIABILITIES AND FUND EQUITY					
Current liabilities					
Outstanding checks in excess of deposits			\$ 363,054	\$ 363,054	
Accounts payable and accrued expenses	\$ 257,806		5,123	262,929	\$ 756,969
Accrued compensated absences	39,630		22,392	62,022	54,779
Accrued salaries and benefits payable	6,338		3,712	10,051	33,241
Interest payable			84,164	84,164	87,314
Long-term liabilities, current portion	45,000		326,351	371,351	796,779
Total current liabilities	348,775		804,796	1,153,571	1,729,083
Long-term liabilities					
Customer deposits	139,000			139,000	132,841
Capital lease			4,570	4,570	3,612
Bonds payable					
1991 Water Bonds	209,000			209,000	246,245
2003 Sales Tax Bond			4,723,649	4,723,649	4,788,058
Total long-term liabilities	348,000		4,728,219	5,076,218	5,170,756
Total liabilities	696,775		5,533,015	6,229,790	6,899,839
Net assets					
Invested in capital assets, net of related debt	28,236,523			28,236,523	27,144,412
Restricted					
Debt service					
Capital assets	342,524			342,524	1,814,605
Unrestricted	18,085,394		(1,682,468)	16,402,926	11,903,413
Total net assets	46,664,441		(1,682,468)	44,981,974	40,862,431
Total liabilities and fund equity	\$ 47,361,216	\$ -0-	\$ 3,850,547	\$ 51,211,764	\$ 47,762,270

**AMERICAN FORK CITY
PROPRIETARY FUNDS
Combining Statement of Revenues, Expenses
And Changes in Net Assets
For the Year Ended June 30, 2006
With Comparative Totals for the Year Ended June 30, 2005**

	Sewer and Water Fund	Building Lease Fund	Broadband Fund	Totals	
				2006	2005
Operating revenues					
Water charges and fees	\$ 2,521,654			\$ 2,521,654	\$ 2,421,367
Sewer charges and fees	3,117,895			3,117,895	2,603,722
Internet and connection fees			\$ 484,059	484,059	375,244
Other income	140,222		321,602	461,825	7,562
Total operating revenues	5,779,771		805,661	6,585,432	5,407,895
Operating expenses					
Salaries, wages, and employee benefits	623,061		322,054	945,115	1,046,016
Supplies and maintenance	280,343		145,385	425,728	436,664
Utilities and telephone	255,038		19,019	274,057	232,379
Professional and technical	80,701			80,701	42,026
Timpanogos Special Service District	1,652,472			1,652,472	1,575,180
Water assessment fees	82,245			82,245	36,568
Depreciation and amortization	1,107,892		192,723	1,300,616	1,195,015
Other	119,648		92,365	212,013	52,851
Total operating expenses	4,201,400		771,547	4,972,947	4,616,698
Operating income (loss)	1,578,371		34,114	1,612,485	791,197
Non-operating income (expense)					
Interest income	71,415		42,456	113,871	117,280
Bond interest expense	(5,231)		(272,192)	(277,423)	(282,773)
Total non-operating income (expense)	66,184		(229,736)	(163,553)	(165,493)
Income (loss) before capital contributions and transfers	1,644,554		(195,622)	1,448,932	625,704
Capital contributions	3,860,878			3,860,878	5,068,417
Operating transfers					
Transfers out	(1,161,000)	\$ (29,267)		(1,190,267)	(1,066,000)
Net operating transfers	(1,161,000)	(29,267)		(1,190,267)	(1,066,000)
Net income (loss)	4,344,432	(29,267)	(195,622)	4,119,543	4,628,120
Net assets at beginning of year	42,320,010	29,267	(1,486,846)	40,862,431	36,234,311
Net assets at end of year	\$ 46,664,441	\$ -0-	\$ (1,682,468)	\$ 44,981,974	\$ 40,862,431

AMERICAN FORK CITY
PROPRIETARY FUNDS
Combining Statement of Cash Flows
For the Year Ended June 30, 2006
With Comparative Totals For the Year Ended June 30, 2005

	Sewer and Water Fund	Building Lease Fund	Broadband Fund	Totals	
				2006	2005
Cash flows from operating activities					
Cash received from					
Customers	\$ 5,839,428		\$ 693,518	\$ 6,532,946	\$ 5,279,302
Cash paid to/for					
Employees	(627,855)		(333,207)	(961,062)	(1,014,055)
Suppliers	(2,913,096)		(308,161)	(3,221,257)	(2,051,815)
Net cash provided by (used for) operating activities	2,298,477		52,150	2,350,627	2,213,432
Cash flows from noncapital financing activities					
Cash paid to other funds	(1,161,000)	\$ (29,267)		(1,190,267)	(878,000)
Net cash provided by (used for) noncapital financing activities	(1,161,000)	(29,267)		(1,190,267)	(878,000)
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(828,264)		(488,650)	(1,316,914)	(1,085,011)
Principal payments on debt	(210,000)		(316,125)	(526,125)	(481,077)
Interest paid on debt	(5,231)		(275,342)	(280,573)	(285,253)
Net cash used for capital and related financing activities	(1,043,495)		(1,080,117)	(2,123,612)	(1,851,341)
Cash flow from investing activities					
Interest income	71,415		42,456	113,871	117,280
Cash collected on note receivable	4,404			4,404	1,167
Net cash provided by investing activities	75,819		42,456	118,275	118,447
Net increase (decrease) in cash	169,800		(985,511)	(844,977)	(397,462)
Cash balance (net of outstanding checks in excess of deposits) at beginning of year	3,856,895	29,267	1,515,329	5,401,492	5,798,954
Cash balance (net of outstanding checks in excess of deposits) at end of year	\$ 4,026,696	\$ -0-	\$ 529,819	\$ 4,556,515	\$ 5,401,492
Non-cash investing, capital and financing activities					
Contribution from contractors, water rights, \$2,699,138					
Contribution from contractors, water and sewer improvements, \$1,161,740					
Reconciliation to operating income					
Operating income (loss)	\$ 1,578,371		\$ 34,114	\$ 1,612,485	\$ 791,196
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation and amortization	1,107,892		192,723	1,300,616	1,195,015
Bad debt			15,614	15,614	
(Increase) decrease in accounts receivable	53,498		(127,757)	(74,259)	(139,088)
Increase (decrease) in accounts payable	(442,649)		(51,391)	(494,040)	1,050
Increase (decrease) in accrued salaries and benefits payable	(8,335)		(14,854)	(23,190)	322,803
Increase (decrease) in accrued compensated absences	3,541		3,702	7,243	9,978
Increase (decrease) in customer deposits	6,159			6,159	32,478
Net cash provided by (used for) operating activities	\$ 2,298,477		\$ 52,150	\$ 2,350,627	\$ 2,213,432
Reconciliation of total cash and cash investments:					
Cash and cash equivalents (net of outstanding checks in excess of deposits)	\$ 3,684,172		\$ (363,054)	\$ 3,321,118	\$ 3,586,887
Restricted cash and cash equivalents	342,524		892,873	1,235,397	1,814,605
Total cash and cash investments	\$ 4,026,696	\$ -0-	\$ 529,819	\$ 4,556,515	\$ 5,401,492

AMERICAN FORK CITY
SEWER AND WATER FUND
Statement of Revenues, Expenses and Changes
In Net Assets - Budget and Actual
For the Year Ended June 30, 2006
With Comparative Totals for the Year Ended June 30, 2005

	2006		Variance	
	Budget	Actual	Favorable (Unfavorable)	2005
Operating revenues				
Water charges	\$ 2,296,200	\$ 2,521,654	\$ 225,454	\$ 2,421,367
Sewer charges	2,554,000	3,117,895	563,895	2,603,722
Other income	344,600	140,222	(204,378)	6,202
Total operating revenues	5,194,800	5,779,771	584,971	5,031,291
Operating expenses				
Salaries, wages and employee benefits	677,500	623,061	(54,439)	562,969
Supplies and maintenance	869,600	280,343	(589,257)	330,130
Utilities and telephone	1,276,400	255,038	(1,021,362)	214,861
Professional and technical		80,701	80,701	42,026
Timpanogos Special Service District	1,640,000	1,652,472	12,472	1,575,180
Water assessment fees		82,245	82,245	36,568
Depreciation		1,107,892	1,107,892	1,022,614
Other	266,600	119,648	(146,952)	17,354
Total operating expenses	4,730,100	4,201,400	(528,700)	3,801,701
Operating income	464,700	1,578,371	1,113,671	1,229,590
Non-operating income (expense)				
Interest income		71,415	71,415	61,150
Bond interest expense		(5,231)	(5,231)	(14,963)
Bond principal payments	(368,300)		368,300	
Total non-operating income (expense)	(368,300)	66,184	434,484	46,188
Income before capital contributions and operating transfers	96,400	1,644,554	1,548,154	1,275,778
Capital contributions		3,860,878		5,068,417
Operating transfers				
Operating transfers out	(1,056,000)	(1,161,000)	(105,000)	(1,066,000)
Net operating transfers	(1,056,000)	(1,161,000)	(105,000)	(1,066,000)
Net income	(959,600)	4,344,432	\$ 5,304,032	5,278,194
Net assets at beginning of year	42,320,010	42,320,010		37,041,816
Net assets at end of year	\$ 41,360,410	\$ 46,664,441		\$ 42,320,010

BUDGET NUMBERS ARE REPORTED ON CASH BASIS.

AMERICAN FORK CITY
BUILDING LEASE FUND
Statement of Revenues, Expenses and Changes
In Net Assets - Budget and Actual
For the Year Ended June 30, 2006
With Comparative Totals for the Year Ended June 30, 2005

	2006		Variance	
	Budget	Actual	Favorable (Unfavorable)	2005
Non-operating income				
Interest income				\$ 1
Total non-operating income (expense)				1
Income before operating transfers				1
Operating transfers out		\$ (29,267)		
Net income (loss)				1
Net assets at beginning of year		29,267		29,266
Net assets at end of year		\$ -0-		\$ 29,267

BUDGET NUMBERS ARE REPORTED ON CASH BASIS.

AMERICAN FORK CITY
BROADBAND FUND
Statement of Revenues, Expenses and Changes
In Net Assets - Budget and Actual
For the Year Ended June 30, 2006
With Comparative Totals for the Year Ended June 30, 2005

	2006		Variance	
	Budget	Actual	Favorable (Unfavorable)	2005
Operating revenues				
Internet fees	\$ 2,096,000	\$ 446,937	\$ (1,649,063)	\$ 370,499
Connection fees	10,000	37,122	27,122	4,745
Other income	207,000	321,602	114,602	1,360
Total operating revenues	<u>2,313,000</u>	<u>805,661</u>	<u>(1,507,339)</u>	<u>376,604</u>
Operating expenses				
Salaries, wages and employee benefits	468,000	322,054	145,946	483,047
Materials and supplies	321,200	144,707	176,493	66,350
Utilities		19,019	(19,019)	17,517
Equipment purchases	36,500	678	35,822	40,185
Other	1,575,000	92,365	1,482,635	35,497
Depreciation		192,723	(192,723)	172,402
Total operating expenses	<u>2,400,700</u>	<u>771,547</u>	<u>(1,629,153)</u>	<u>814,997</u>
Operating income (loss)	<u>(87,700)</u>	<u>34,114</u>	<u>121,814</u>	<u>(438,393)</u>
Non-operating income (expense)				
Interest income	60,000	42,456	(17,544)	56,129
Bond principal payments	(315,000)		315,000	
Bond interest expense	<u>(264,500)</u>	<u>(272,192)</u>	<u>(7,692)</u>	<u>(267,811)</u>
Total non-operating income (expense)	<u>(519,500)</u>	<u>(229,736)</u>	<u>289,764</u>	<u>(211,682)</u>
Net income (loss)	(607,200)	(195,622)	<u>\$ 411,578</u>	(650,075)
Net assets at beginning of year	<u>(1,486,846)</u>	<u>(1,486,846)</u>		<u>(836,771)</u>
Net assets at end of year	<u>\$ (2,094,046)</u>	<u>\$ (1,682,468)</u>		<u>\$ (1,486,846)</u>

BUDGET NUMBERS ARE REPORTED ON CASH BASIS.

ADDITIONAL SCHEDULES

These schedules are included to provide additional information for analysis.

AMERICAN FORK CITY
General Fund Property Tax Levies and Collections

Year End 12/31	Total Taxes Assessed	Current Collections	Delinquent Collections	Total Collected	Percentage of Current Collections to Total Taxes Assessed	Percentage of Total Collections to Total Taxes Assessed
2005	\$ 2,136,675	\$ 1,981,991	\$ 121,459	\$ 2,103,450	92.8%	98.4%
2004	2,044,935	1,899,077	123,663	2,022,740	92.9%	98.9%
2003	1,980,106	1,838,706	167,435	2,006,141	92.9%	101.3%
2002	1,875,014	1,645,261	168,903	1,814,164	87.7%	96.8%
2001	1,579,871	1,421,326	133,070	1,554,396	90.0%	98.4%
2000	1,532,992	1,386,417	118,486	1,504,903	90.4%	98.2%
1999	1,406,330	1,280,964	76,587	1,357,551	91.1%	96.5%
1998	1,314,776	1,216,895	53,855	1,270,750	92.6%	96.7%
1997	1,220,141	1,127,891	39,714	1,167,605	92.4%	95.7%
1996	1,114,771	1,064,158	41,840	1,105,998	95.5%	99.2%
1995	1,027,826	996,756	35,611	1,032,367	97.0%	100.4%
1994	1,003,865	952,345	31,294	983,639	94.9%	98.0%
1993	872,677	838,620	28,591	867,211	96.1%	99.4%
1992	847,042	806,533	29,688	836,221	95.2%	98.7%
1991	769,240	730,086	28,230	758,316	94.9%	98.6%
1990	729,987	683,291	41,832	725,123	93.6%	99.3%
1989	729,944	681,276	46,172	727,448	93.3%	99.7%
1988	728,819	650,374	37,328	687,702	89.2%	94.4%
1987	738,066	657,797	49,324	707,121	89.1%	95.8%
1986	711,782	633,373	42,597	675,970	89.0%	95.0%
1985	689,701	614,114	53,239	667,353	89.0%	96.8%
1984	586,759	524,010	32,159	556,169	89.3%	94.8%
1983	580,314	519,177	27,607	546,784	89.5%	94.2%

AMERICAN FORK CITY
Schedule of Insurance in Force
June 30, 2006

<u>Description</u>	<u>Company</u>	<u>Policy Number</u>	<u>Liability Limit</u>	<u>Effective Date</u>
Auto liability	St. Paul Insurance Company	GP09312646	\$1,000,000	07/01/05
General liability	St. Paul Insurance Company	GP09312646	\$1,000,000/\$3,000,000	07/01/05
Property	St. Paul Insurance Company	GP09312646	\$29,252,825	07/01/05
Computer Property	St. Paul Insurance Company	GP09312646	\$1,680,000	07/01/05
Contractor's Equipment	St. Paul Insurance Company	GP09312646	\$643,830	07/01/05
DIC Earthquake and Flood	St. Paul Insurance Company	GP09312646	\$5,000,000	07/01/05
Crime	St. Paul Insurance Company	GP09312646	\$50,000	07/01/05
Employment Practices	St. Paul Insurance Company	GP09312646	\$5,000,000	07/01/05
Public officials E & O	St. Paul Insurance Company	GP09312646	\$1,000,000/\$3,000,000	07/01/05
Law enforcement	St. Paul Insurance Company	GP09312646	\$1,000,000/\$3,000,000	07/01/05

AMERICAN FORK CITY
PARK IMPACT FEE REPORTING
For the Year Ended June 30, 2006

Year Ended	Impact Fees	Interest Earned	Qualified Expenses	Net	Balance
June 2003	\$ 3,034	\$ 2,392	\$ (221,949)	\$ 227,375	\$ 255,998
July 2003	43,600	161		43,761	299,759
August 2003	31,200	157	47,003	(15,646)	284,113
September 2003	34,800	193		34,993	319,106
October 2003	11,400	371		11,771	330,877
November 2003	17,400	361		17,761	348,638
December 2003	34,800	372		35,172	383,810
January 2004	16,600	372		16,972	400,782
February 2004	15,118	346	56,393	(40,929)	359,853
March 2004	24,400	360	600	24,160	384,013
April 2004	33,200	342	136,973	(103,431)	280,582
May 2004	15,600	362	500	15,462	296,044
June 2004	35,800	368		36,168	332,212
July 2004	5,200	425		5,625	337,837
August 2004	24,000	452	170,000	(145,548)	192,289
September 2004	17,000	464	56,392	(38,928)	153,361
October 2004	29,200	515		29,715	183,076
November 2004	22,600	542		23,142	206,218
December 2004		582		582	206,800
January 2005	5,200	608	500	5,308	212,108
February 2005	14,800	584	54,408	(39,024)	173,084
March 2005	27,800	690	137,000	(108,510)	64,574
April 2005	44,000	711		44,711	109,285
May 2005	50,440	765	500	50,705	159,990
June 2005	71,000	785		71,785	231,775
July 2005	49,600	835	175,000	(124,565)	107,210
August 2005	81,200	884	54,452	27,632	134,842
September 2005	35,400	896		36,296	171,138
October 2005	51,000	980		51,980	223,118
November 2005	68,400	1,004		69,404	292,522
December 2005	37,200	1,077		38,277	330,799
January 2006	32,200	1,110	375	32,935	363,734
February 2006	64,860	1,043	52,216	13,687	377,421
March 2006	24,800	1,195		25,995	403,416
April 2006	42,430	1,200		43,630	447,046
May 2006	73,800	1,284	500	74,584	521,630
June 2006	40,600	1,287		41,887	563,517
	<u>\$ 1,229,682</u>	<u>\$ 26,075</u>	<u>\$ 720,863</u>	<u>\$ 534,894</u>	

AMERICAN FORK CITY
WATER IMPACT FEE REPORTING
For the Year Ended June 30, 2006

	<u>Impact Fees</u>	<u>Interest Earned</u>	<u>Qualified Expenses</u>	<u>Reduction Buy-in</u>	<u>Net</u>	<u>Balance</u>
June 2003	\$ 382,052		\$ 86,702	\$ 236,872	\$ 58,478	\$ (2,912,710)
July 2003	47,906		2,000	29,702	16,204	(2,896,506)
August 2003	33,406			20,712	12,694	(2,883,812)
September 2003	21,180		2,300	13,132	5,748	(2,878,064)
October 2003	8,140		2,548	5,047	545	(2,877,519)
November 2003	15,068		40,425	9,342	(34,699)	(2,912,218)
December 2003	26,669		1,502	16,535	8,632	(2,903,586)
January 2004	9,770			6,057	3,713	(2,899,873)
February 2004	25,692			15,929	9,763	(2,890,110)
March 2004	17,920			11,110	6,810	(2,883,300)
April 2004	30,276			18,771	11,505	(2,871,795)
May 2004	25,100		13,216	15,562	(3,678)	(2,875,473)
June 2004	30,107		226	18,666	11,215	(2,864,258)
July 2004	12,197			7,562	4,635	(2,859,623)
August 2004	29,666			18,393	11,273	(2,848,350)
September 2004	11,810			7,322	4,488	(2,843,862)
October 2004	25,397			15,746	9,651	(2,834,211)
November 2004	18,328		1,840	11,363	5,125	(2,829,086)
December 2004	11,746		69,239	7,283	(64,776)	(2,893,862)
January 2005	8,318		11,330	5,157	(8,169)	(2,902,031)
February 2005	26,347			16,335	10,012	(2,892,019)
March 2005	23,199		490	14,383	8,326	(2,883,693)
April 2005	33,177		252	20,570	12,355	(2,871,338)
May 2005	31,719			19,666	12,053	(2,859,285)
June 2005	39,060			24,217	14,843	(2,844,442)
July 2005	35,377		105,841	21,934	(92,398)	(2,936,840)
August 2005	27,665		41,023	17,152	(30,510)	(2,967,350)
September 2005	23,589			14,625	8,964	(2,958,386)
October 2005	36,778		62,997	22,802	(49,021)	(3,007,407)
November 2005	59,980			37,188	22,792	(2,984,615)
December 2005	23,799			14,755	9,044	(2,975,571)
January 2006	30,267		8,300	18,766	3,201	(2,972,370)
February 2006	45,886			28,449	17,437	(2,954,933)
March 2006	18,929			11,736	7,193	(2,947,740)
April 2006	49,430			30,647	18,783	(2,928,957)
May 2006	56,974			35,324	21,650	(2,907,307)
June 2006	30,108		5,000	18,667	6,441	(2,900,866)
	<u>\$ 1,383,032</u>		<u>\$ 455,231</u>	<u>\$ 857,479</u>	<u>\$ 70,322</u>	

AMERICAN FORK CITY
SEWER IMPACT FEE REPORTING
For the Year Ended June 30, 2006

	<u>Impact Fees</u>	<u>Interest Earned</u>	<u>Qualified Expenses</u>	<u>Reduction Buy-in</u>	<u>Net</u>	<u>Balance</u>
June 2003	\$ 315,269	\$ 7,067	\$ 141,759	\$ 153,817	\$ 164,023	\$ 357,069
July 2003	38,347	476		9,587	29,236	386,305
August 2003	22,923	465	566	5,731	17,091	403,396
September 2003	17,772	449		4,443	13,778	417,174
October 2003	6,460	464	1,060	1,615	4,249	421,423
November 2003	8,886	452	39,840	2,222	(32,724)	388,699
December 2003	22,382	466	7,417	5,596	9,835	398,534
January 2004	8,196	465	14,402	2,049	(7,790)	390,744
February 2004	21,210	433	2,717	5,303	13,623	404,367
March 2004	15,036	451		3,759	11,728	416,095
April 2004	25,428	428		6,357	19,499	435,594
May 2004	18,094	453	17,962	4,524	(3,939)	431,655
June 2004	25,279	460		6,320	19,419	451,074
July 2004	5,121	532		1,280	4,373	455,447
August 2004	24,911	566	1,305	6,228	17,944	473,391
September 2004	8,565	581		2,141	7,005	480,396
October 2004	21,349	645		5,337	16,657	497,053
November 2004	15,393	679	52,747	3,848	(40,523)	456,530
December 2004	8,508	728	38,836	2,127	(31,727)	424,803
January 2005	8,358	762		2,090	7,030	431,833
February 2005	22,127	731		5,532	17,326	449,159
March 2005	22,210	864	249	5,553	17,272	466,431
April 2005	27,854	890		6,964	21,780	488,211
May 2005	26,611	958		6,653	20,916	509,127
June 2005	35,496	982	755	8,874	26,849	535,976
July 2005	25,921	1,045		6,480	20,486	556,462
August 2005	19,474	1,107	122,148	4,869	(106,436)	450,026
September 2005	19,795	1,121	449	4,949	15,518	465,544
October 2005	32,235	1,227	153	8,059	25,250	490,794
November 2005	50,396	1,257	152,164	12,599	(113,110)	377,684
December 2005	19,967	1,348	12,021	4,992	4,302	381,986
January 2006	25,417	1,389	1,983	6,354	18,469	400,455
February 2006	37,949	1,307		9,487	29,769	430,224
March 2006	14,519	1,515	9,100	3,630	3,304	433,528
April 2006	39,427	1,521	13,600	9,857	17,491	451,019
May 2006	47,833	1,628	6,603	11,958	30,900	481,919
June 2006	2,736	1,527	1,696	684	1,883	483,802
	<u>\$ 1,107,454</u>	<u>\$ 37,439</u>	<u>\$ 639,532</u>	<u>\$ 351,868</u>	<u>\$ 290,756</u>	

ADDITIONAL AUDITORS' REPORTS

These additional reports are required by *Government Auditing Standards* and the Utah State Auditor's Office, respectively.



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor
and Members of the City Council
American Fork City, Utah

We have audited the financial statements of governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of American Fork City, Utah as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 22, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered American Fork City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying management letter.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether American Fork City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Mayor and City Council, and the Utah State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

Hawkins Cloward & Simister, LC

HAWKINS CLOWARD & SIMISTER, LC

CERTIFIED PUBLIC ACCOUNTANTS

December 22, 2006



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UTAH STATE COMPLIANCE REPORT BASED ON THE REQUIREMENTS, SPECIAL TESTS, AND PROVISIONS REQUIRED BY THE STATE OF UTAH'S LEGAL COMPLIANCE AUDIT GUIDE

To the Honorable Mayor
and Members of the City Council
American Fork City, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of American Fork City, Utah for the year ended June 30, 2006, and have issued our report thereon dated December 22, 2006. As part of our audit, we have audited the City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major State assistance programs from the State of Utah:

Class "C" Road (Department of Transportation)
Liquor Law Enforcement Funds (Utah State Tax Commission)

The City also received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of the City of Example's financial statements.)

Public Library Development Grant (Department of Community & Economic Development)
Historical Grant (State Historical Society)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance

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Truth in Taxation and Property Tax Limitations
Other General Compliance Issues
Uniform Building Code Standards
Impact Fees
Asset Forfeiture

The management of American Fork City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed an immaterial instance of noncompliance with requirements referred to above, which is described in the accompanying management letter. We considered this instance of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, American Fork City, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

This report is intended for the information of the Mayor and City Council, management, and the Utah State Auditor's office and is not intended to be and should not be used by anyone other than these specified parties.

Hawkins Cloward & Simister, LC

HAWKINS CLOWARD & SIMISTER, LC

CERTIFIED PUBLIC ACCOUNTANTS

December 22, 2006

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The Honorable Mayor
and City Council
American Fork City

We have audited the basic financial statements of American Fork City for the year ended June 30, 2006 and have issued our report thereon dated December 22, 2006. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS

As stated in our engagement letter dated September 16, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the basic financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of the City. Such considerations were solely for the purpose of determining our audit procedures and not to provide assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of City's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

SIGNIFICANT ACCOUNTING POLICIES

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and application. The significant accounting policies used by the City are described in Note 1 to the basic financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2006. We noted no transactions entered into by the City, during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

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ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of useful lives of depreciable assets, and the applicable depreciation amounts are based on estimated usefulness of the assets in question and the related wear and tear on those assets. We evaluated the key factors and assumptions used to develop these amounts in determining that they were reasonable in relation to the financial statements taken as a whole.

Management's estimate of allowance for doubtful accounts is based on historical revenues, historical loss levels, and an analysis of the collectibility of individual accounts, including accounts in the Water and Sewer Fund and the Broadband Fund. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

SIGNIFICANT AUDIT ADJUSTMENTS

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the City's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the City, either individually or in the aggregate, indicate matters that could have a significant effect on the City's financial reporting process.

These adjustments may include those proposed by us but not recorded by the City that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements.

We made several closing and reclassifying entries to the City's books. These entries included the annual closing entries, capitalizing enterprise fund assets, and entries to correct balances. We have enclosed a copy of the journal entries and the waived journal entries.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the basic financial statements or the

auditors' report. We are pleased to report that no such disagreements arose during the course of the audit.

CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's basic financial statements or a determination of the type of auditor's opinion that may be expressed on those financial statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

ISSUES DISCUSSED PRIOR TO RETENTION OF INDEPENDENT AUDITORS

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing our audit. The staff was helpful and assisted us in obtaining the information we needed to complete the audit. The completion of the audit was delayed due to the accounting department receiving the information to complete the fixed asset schedule in late November.

RECOMMENDATION

In order to report infrastructure on the modified approach method, a road condition assessment must be performed every three years. The last road assessment was performed in fiscal year 2004. The City will need to complete a road assessment in fiscal year 2007 to be in compliance with the modified approach reporting method.

FINANCIAL AUDIT FINDINGS

Current Year Findings

2006-1 Finding: The City does not have a formal written policy on fraud.

Recommendation: We recommend the City adopt a written fraud policy, including the definition of fraud, responsibility to report, City's response to alleged fraud, etc.

City's response: We agree with the finding. We are still in the process of revising the employee manual and will address the policy in there.

2006-2 Finding: The City should review the internal control policies and procedures throughout the various departments on an ongoing basis.

Recommendation: The City should review the internal controls policies and procedures regularly. When changes in staffing are made internal controls should be reviewed. Departments not located at the administration building should have regular reviews of the control procedures.

City's response: We have implemented several control procedures. We are evaluating RFP's for time clocks to complete the control procedures deemed necessary.

2006-3 Finding: The contractor contribution schedule was not prepared in a timely manner so the additions could be added to the fixed asset program.

Recommendation: We recommend the Public Works Department complete the contractor contribution schedule by the end of July, which will enable the fixed asset program to be updated in a timely manner, in preparation for the audit.

City's response: We agree with the finding.

2006-4 Finding: The Broadband Department uses a spreadsheet to track billings to the internet service providers. Changes to the billings are not always documented and retained. The City doesn't have a formal process in place to document the changes to the amounts billed.

Recommendation: We recommend the City implement better controls over the billing process. The process should included detailed information on the total amounts billed, any adjustments made to billings or receivables, and detailed information on the payments received. If adjustments are made to the customer's accounts it should be approved by a responsible official. This would allow better oversight and monitoring of the billing process.

City's response: The accounting department is now overseeing the billing process. We are currently looking at ways to implement better controls over the billings.

2006-5 Finding: The accounts payable subsidiary ledger did not agree to the amounts recorded in the general ledger.

Recommendation: We recommend City reconcile the subsidiary ledgers for accounts payable and accounts receivable be reconciled to the general ledger as part of the month end closing process.

City's response: We agree with the finding.

2006-6 Finding: During the audit we noticed the Highland City sewer revenues were about \$40,000 lower than the last few years. Upon inquiry, it was discovered the meter wasn't working.

Recommendation: We recommend the departments review and their revenues and expenditures for large variances. Significant variances should be investigated.

City's response: We agree with the finding. We are in the process of preparing a letter to Highland City to adjust the sewer billing.

STATUS OF PRIOR YEAR AUDIT FINDINGS

2005-1 Finding: The City does not have a formal written policy on fraud.

Status: See current year finding.

2005-2 Finding: The City should review the internal control policies and procedures throughout the various departments on an ongoing basis.

Status: See current year finding.

UTAH STATE LEGAL COMPLIANCE FINDINGS

Current Year Findings

Finding: State law requires that funds have a positive fund balance. The Broadband Fund had a retained deficit.

Recommendation: We recommend the City monitor the fund balances for deficits. If feasible, the City should make operating transfers to maintain positive fund equity.

City's Response: During fiscal year 2003, the City purchased an existing high-speed broadband system from a private company. The start-up phase includes bringing up the existing system, upgrades, and expansion of the infrastructure. The City began providing wholesale services to internet providers during fiscal year 2003. The City anticipates the fund will be in a deficit position until user penetration and other broadband revenues will generate sufficient revenues to offset operating expenses. Currently, the City is discussing selling the Broadband network to a private company.

Current Status of Prior Year State Legal Compliance Findings

Finding: State law requires officers and employees not to incur expenditures in excess of the total appropriated budget for any department or fund. There were departments that exceeded the budgeted expenditures.

Status: This finding has been corrected.

Finding: State law requires that funds have a positive fund balance. The Broadband Fund had a retained deficit.

Status: See current year finding.

This information is intended solely for the use of the Mayor and City Council, management, and the Utah State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

Hawkins Cloward & Simister, LC

HAWKINS CLOWARD & SIMISTER, LC
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December 22, 2006